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ABSTRACT

This book provides guidance to school business office personnel who handle fiscal recordkeeping, accounting, and reporting functions for federal Title IV student financial aid programs authorized by the Higher Education Act of 1965, as amended. It provides a technical resource for Title IV management responsibilities that are shared among various administrative offices in a school, and it contains general information about Title IV programs, policies, and procedures that are useful to all institutional personnel who administer and manage Title IV programs. This edition places special emphasis on the benefits and challenges of managing Title IV programs electronically. The chapters are: (1) "The Student Financial Aid Programs"; (2) "General Institutional Responsibilities"; (3) "Obtaining Authorization for Campus-Based Funding"; (4) "Requesting, Managing, and Returning Title IV Funds"; (5) "Accounting Procedures for Title IV Programs"; (6) "Title IV Reporting, NSLDS, Audit, Program Review, and Guaranty Agency Procedures. The first three chapters are aimed at anybody who needs some background and introductory information on Title IV programs; the second three chapters are for those who need more in-depth information. Four appendixes contain a glossary, a list of common acronyms, a list of other publications that support the information in the "Blue Book," and a list of contacts for technical information. (SLD)

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ED 455 727

The Blue Book

Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions for Federally Funded Student Financial Aid Programs

SFA
UNIVERSITY
STUDENT FINANCIAL ASSISTANCE

U.S. Department of Education
Washington, DC 20202

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Dedicated to the memory of David H. Wyatt, whose creativity, professionalism, and commitment touched all who had the pleasure of knowing him.

Introduction

How to Use This Book

Purpose

The primary purpose of *The Blue Book* is to provide guidance to school business office personnel who handle fiscal recordkeeping, accounting, and reporting functions for federal Title IV student financial aid programs authorized by the Higher Education Act of 1965, as amended (HEA). In addition, it provides a technical resource of Title IV management responsibilities that are shared between various administrative offices in a school. It also provides general information about Title IV programs, policies, and procedures that are useful to all institutional personnel who administer and manage Title IV programs.

Some procedures discussed in *The Blue Book* are recommended to help institutions meet the fiscal responsibilities they agree to when they sign a Title IV Program Participation Agreement (PPA) with the U.S. Department of Education (ED). Other procedures described in *The Blue Book* are required by federal laws and regulations. Although *The Blue Book*'s primary focus is fiscal responsibilities, financial aid administrators can also use *The Blue Book* as a reference tool for shared responsibilities.

This edition of *The Blue Book* places special emphasis on the benefits and challenges of managing Title IV programs electronically. The goals of any electronic-management system are to maintain accurate, well-organized records; submit required reports in an accurate and timely manner; comply with federal laws and regulations; and provide quality service to students.

Further, ED requires schools to use automated methods to meet certain Title IV requirements, such as retrieving Institutional Student Information Records (ISIRs) through the Internet, reporting Federal Pell Grant disbursements through the Recipient Financial Management System (RFMS), submitting the Fiscal Operations Report and Application to Participate (FISAP) electronically, and reporting Title IV information (including overpayments) online to the National Student Loan Data System (NSLDS). Some schools also use ED's Grant Administration and Payment System (GAPS) to request and draw down Title IV funds.*

***For Web sites and other ED publications instrumental in fiscal management and recordkeeping, see Appendix C.**

As a result, cooperation and communication across a school's administrative offices, especially between the business office and the financial aid office, are more important than ever. Schools also need to be careful to ensure that electronic management does not blur the legally required separation of *authorizing* Title IV funds and *disbursing* Title IV funds. *The Blue Book* is designed to help schools achieve these goals and to use ED's automated systems successfully.

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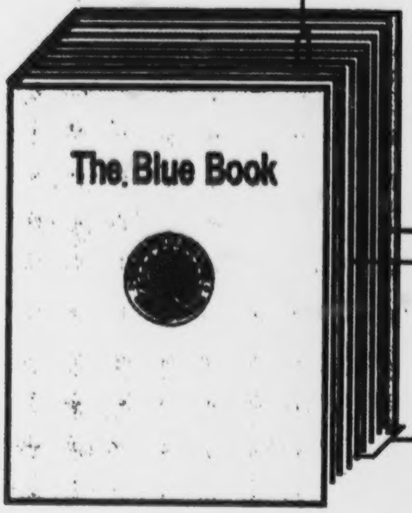

Chapters 1 - 3 are aimed at anybody who needs some background and introductory information on Title IV programs.

1. **The Student Financial Aid Programs** provides an overview, addresses the fiscal calendar, and defines terms, such as "academic year" and "award year."
2. **General Institutional Responsibilities** presents institutional Title IV operational and program requirements.
3. **Obtaining Authorization for Campus-Based Funding** addresses fiscal procedures unique to managing Title IV campus-based programs.

Chapters 4 - 6 are for anybody involved in student financial aid administration who needs in-depth information about Title IV programs.

4. **Requesting, Managing, and Returning Title IV Funds** provides a comprehensive discussion on projecting cash needs, drawing down funds, disbursing funds to students, and returning funds.
5. **Accounting Procedures for Title IV Programs** describes the fund accounting approach used to manage Title IV program funds.
6. **Title IV Reporting, NSLDS, Audit, Program Review, and Guaranty Agency Procedures** addresses reporting for Title IV programs and the Fiscal Operations Report and Application to Participate (FISAP).

The **appendices** are designed to supplement the information presented in the main chapters of *The Blue Book*.

Appendix A provides a comprehensive glossary of terms related to Title IV accounting, recordkeeping, and reporting requirements.

Appendix B provides a list of commonly used acronyms.

Appendix C lists other publications that supplement and support the information provided in *The Blue Book*.

Appendix D tells you whom to contact for technical assistance.

The **Index** helps you quickly locate information in *The Blue Book*.

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Using *The Blue Book* at Your School

The Blue Book can perform several different functions for a school. For example, it can serve as a:

- training guide for new employees (especially in conjunction with ED's Fiscal Management Training Workshop and its Participant's Guide),
- reference manual for any employee, *and*
- basis for a school's fiscal policies and procedures manual.

Regardless of how a school uses this book, remember that it is only a guide, and it does not replace federal laws, regulations, or generally accepted accounting principles (GAAP). School personnel are still responsible for familiarizing themselves with all relevant primary source documents.

Margin References

The Blue Book uses three icons in the margin notes to direct readers to other resources for the material being discussed in the text.

The Computer icon is for electronic references, directing readers to Web sites of particular interest.

The Book icon is for published references and directs readers to specific regulations and other resources of particular interest (some of which might also be available electronically).

The New icon is for newly available Web sites and published resources, as well as new program guidelines.

Other Resources

A companion publication to *The Blue Book* is ED's *Student Financial Aid Handbook* (Handbook), which is a primary resource for financial aid administrators. The Handbook is mentioned frequently throughout *The Blue Book*. The Handbook consists of nine volumes published individually and successively by ED each year and distributed to school financial aid offices. Fiscal office personnel should know where to locate their school's copy of the Handbook, and they might want

Reference:

For information on these and other pertinent printed materials, see Appendix C of this book.

*The SFA Handbook is available for download on ED's Information for Financial Aid Professionals (IFAP) Web site at http://ifap.ed.gov. Participating schools are also sent paper copies of sections of the Handbook as they are published.

to copy pertinent sections for their own use or print them from ED's Web site.*

Another ED publication vital to the work of a fiscal officer is the *U.S. Department of Education Payee Guide for the Grant Administration and Payment System (GAPS)* [GAPS *Payee Guide*]. It provides information on systems operations and procedures for federal funds paid to schools through GAPS. The GAPS *Payee Guide* helps schools fulfill their responsibilities in expediting payments, completing forms and reports, and controlling federal cash received through GAPS. It also serves as a guide to ED's new ePayments Web site.

Effective Date

This edition of *The Blue Book* is written on the basis of laws, regulations, policies, and procedures published by April 1, 2000 and in effect for the 2001-02 award year. Schools should be aware, however, these laws, regulations, policies, and procedures are subject to change. It is a school's responsibility to keep abreast of such changes so it remains in compliance with current rules. Regular updates and changes in policy guidance are posted on a daily basis on ED's IFAP Web site.

Comments and Suggestions on *The Blue Book*

Your comments and suggestions about any aspect of *The Blue Book* are welcome. We are particularly interested in learning:

- the purposes for which *The Blue Book* is being used (for example, reference, self-study, training new staff);
- the appropriateness of the content and the usefulness of the appendices; *and*
- whether you feel this publication is among those that ED's Office of Student Financial Assistance (OSFA) should update on a regular basis.

You may send your comments to:

The Blue Book/SFA University
SFA/U.S. Department of Education
Room 600-C, Portals Building
1280 Maryland Avenue, SW
Washington, DC 20202-5361

Chapter 1

The Student Financial Aid Programs

Summary

This chapter provides an overview of federally funded student financial aid programs. The chapter begins with a discussion of Title IV of the Higher Education Act, the legislation that created these federal programs. The chapter also discusses an institutional fiscal year and explains the terms "academic year" and "award year."

Key Terms*

- academic year
- administrative cost allowance (ACA)
- award year
- campus-based programs
- *Code of Federal Regulations* (CFR)
- cost of attendance (COA)
- delivery system
- Expected Family Contribution (EFC)
- Federal Pell Grant Program
- *Federal Register*
- Fiscal Operations Report and Application to Participate (FISAP)
- Free Application for Federal Student Aid (FAFSA)
- gift aid
- Higher Education Act of 1965 as amended (HEA)
- Institutional Student Information Record (ISIR)
- master calendar
- personal identification numbers (PINs)
- reauthorization
- SAR Information Acknowledgement
- self-help aid
- Student Aid Report (SAR)
- Title IV programs

***Key terms are in boldface type when they first appear in the text.**

1.1 Title IV of the Higher Education Act of 1965 and Federal Regulations

Title IV of the **Higher Education Act of 1965, as amended (HEA),** authorizes the following programs:

- Federal Pell Grant,
- William D. Ford Federal Direct Loan (Direct Loan),

- Federal Family Education Loan (FFEL),
- Federal Supplemental Educational Opportunity Grant (FSEOG),
- Federal Work-Study (FWS), *and*
- Federal Perkins Loan.

These programs are collectively known as **Title IV programs**. They are administered by the U.S. Department of Education (ED) and provide some $50 billion annually in financial assistance to eligible students enrolled in eligible postsecondary programs of study. Title IV programs are governed by the HEA and by policies and regulations published by ED.

Reauthorizing and Amending the HEA

Approximately every six years, Congress reviews all the Title IV programs authorized by the HEA to ensure that they are serving the purposes for which they are intended. After reviewing the programs, Congress decides whether to reauthorize them (that is, allow the programs to continue) and, if so, what changes should be enacted to serve students and taxpayers properly and efficiently.

Congress also can make changes to (or amend) the HEA between these periodic **reauthorizations**. This happens when Congress modifies particular HEA provisions rather than the entire law.

Title 34 of the Code of Federal Regulations

Reference:

- http://ifap.ed.gov

ED implements the HEA through regulations. Title IV regulations supplement the HEA; however, regulations cannot supersede any part of the law. Regulations affecting Title IV programs are contained in Title 34 of the ***Code of Federal Regulations*** **(CFR)**. The sections of Title 34 that most frequently affect how schools administer federal financial aid programs are in Parts 600 and higher. When ED issues regulations, they are published in the ***Federal Register***. ED posts the regulations on its Information for Financial Aid Professionals (IFAP) Web site. ED also publishes an annual compilation of current regulations called the *Compilation of Student Financial Aid Regulations*. Additions or supplements to the *Compilation* are published and posted to IFAP quarterly, as needed.

Reference:

- *Compilation of Student Financial Aid Regulations (latest version)*

1.2 Family Contribution, Financial Aid Application, and Delivery System

Expected Family Contribution (EFC)

The basic premise underlying Title IV programs is that a student and the student's family have primary responsibility for paying for the student's postsecondary education. Because the programs are intended to help students with financial need, eligibility for financial assistance from most of the programs is need based. Congress developed an **Expected Family Contribution (EFC)** formula to determine the financial strength of a student's family and the student's need for Title IV assistance.

Free Application for Federal Student Aid (FAFSA)

To apply for Title IV financial aid funds, students must submit a **Free Application for Federal Student Aid (FAFSA).** Most continuing postsecondary students may file a condensed Renewal FAFSA. The FAFSA and Renewal FAFSA collect financial and other information from the student and the student's spouse for independent students. They also collect information from a dependent student and his or her parent(s). This information is used to calculate the student's EFC. The EFC represents the amount of money a student's family is expected to contribute toward the cost of the student's postsecondary education. The EFC is used with the school's **cost of attendance (COA)** in determining an eligible student's need and the amount of aid that the student receives from each of the Title IV aid programs.

The EFC is sent to the student on the **Student Aid Report (SAR)** or the **SAR Information Acknowledgement**. Schools receive an electronic version of the same information, called the **Institutional Student Information Record (ISIR).**

Reference:
- http://fafsa.ed.gov

All students (undergraduate and graduate) can complete a paper or Web-based version of the FAFSA. FAFSA on the Web is a dedicated Web site where students can apply using the Internet. Schools can also transmit students' FAFSAs through ED's Electronic Data Exchange (EDE). Students who have previously applied for federal financial aid may use the condensed Renewal FAFSA to file. The Renewal FAFSA can be completed on paper or by using Renewal FAFSA on the Web.

Federal law mandates that the FAFSA be developed according to the timeline established in the **master calendar.*** This ensures that delivery of federal student aid is accomplished in a timely way.

***See section 1.10 of this chapter for more information.**

Delivery System

The **"delivery system"** refers to the process by which students apply for federal financial aid, are awarded federal funds, and use those funds to pay the costs of attendance they incur when they enroll in an eligible program of study.

Title IV programs may be categorized as either **"gift aid"** or **"self-help aid."** Gift aid consists of grants and scholarships that are given to students; it does not have to be repaid. Self-help aid takes the form of loans (which must be repaid) and work-study (which pays students wages for hours worked at jobs provided on campus or off campus).

Sections 1.3 through 1.7 of this chapter provide a brief overview of ED's federal financial aid programs. For more complete information, please refer to the *Student Financial Aid Handbook.*

Personal Identification Numbers (PINs)

Students who apply for Title IV federal financial aid are eligible to obtain **personal identification numbers (PINs).** PINs are used to electronically identify individual aid applicants online, and they also can be used to create electronic signatures.

Students who use FAFSA on the Web to apply for federal aid and are first-time FAFSA filers are automatically sent PINs. A student can also request a PIN by accessing ED's PIN Web site. PINs are sent to students through the U.S. Postal Service.

Reference:

- http://pin.ed.gov

ED's PIN Web site can also be used to request an additional copy of the student's PIN, change the student's PIN mailing address, request to be assigned a new PIN, and obtain general information about PINs.

With a PIN, a student can:

- electronically sign a FAFSA or Renewal FAFSA,
- make online corrections to his or her FAFSA data,
- obtain up-to-date Direct Loan account information,
- access his or her Access America for Students* account, *and*
- obtain current, reported information from the National Student Loan Data System (NSLDS) about his or her federal student aid history.

***Access America for Students was a pilot program during the 1999-2000 school year. The pilot has been discontinued.**

1.3 Federal Pell Grant Program

Reference:

- *Student Financial Aid Handbook, Volume 3: Pell Grant Program*
- HEA, Part A, Section 401
- 34 CFR Part 690

Federal Pell Grants are gift aid and are available to eligible undergraduate students who have not yet received a bachelor's degree or professional degree, are enrolled in a degree or certificate program, and meet other program eligibility requirements, including financial need.

ED, on a case-by-case basis, can provide Federal Pell Grants to students who have bachelor's degrees. Those students must be enrolled:

- at least half time at a school that doesn't offer a bachelor's degree in education,
- in a post-baccalaureate program not leading to a graduate degree, *and*
- in state-required courses to obtain an *initial* professional certification or licensing credential required to teach in that state.

Various components determine the amount of a student's award, including EFC; COA (tuition, fees, room and board, books and supplies,* and so forth); enrollment status; and the length of the program of study. Funds that an eligible student receives from this program do not have to be repaid. Each participating institution receives an **administrative cost allowance (ACA)** for administering the **Federal Pell Grant Program** unless the school declines it.

***The Higher Education Amendments of 1998 include a provision for a reasonable allowance for the documented purchase or rental of a personal computer.**

1.4 The Campus-Based Programs

Reference:

- *Student Financial Aid Handbook, Volume 4: Campus-Based Common Provisions*
- 34 CFR Part 673

The Federal Perkins Loan, Federal Work-Study (FWS), and Federal Supplemental Educational Opportunity Grant (FSEOG) Programs are referred to as **campus-based programs** because ED allocates these funds to participating institutions on the basis of their **Fiscal Operations Reports and Applications to Participate (FISAPs)**. The schools then manage the programs and award funds to students on behalf of ED. Students must complete a FAFSA or Renewal FAFSA each year to apply for these funds. Schools award the funds to eligible students according to federal laws and regulations. Each participating institution may claim an ACA for administering each campus-based program.

Federal Perkins Loan Program

Reference:

- HEA, Part E
- 34 CFR Part 674

Federal Perkins Loans are low-interest (5 percent) student loans that participating schools make to eligible undergraduate and graduate students. No interest accrues on a loan while a student is enrolled at least half time in an eligible program at an eligible school. A school must give priority to students who demonstrate exceptional financial need as defined by the school.

Federal Work-Study (FWS) Program

Reference:
- HEA, Part C
- 34 CFR Part 675

The Federal Work-Study (FWS) Program provides on-campus jobs and off-campus jobs for undergraduate and graduate students. Students can be employed in a variety of positions, including off-campus, community-service jobs. Students must be paid at least the current federal minimum wage and, in most cases, the institution or off-campus employer must pay a portion of their wages.

As of the 2000-01 award year, which began July 1, 2000, a school must use at least 7 percent of its total FWS allocation for an award year to pay students employed in community-service activities, unless ED approves a waiver. Further, at least one community-service project must be in reading tutoring or family literacy and must employ at least one FWS student.

America Reads Challenge

Schools are encouraged to place FWS students as reading tutors of preschool-age children and children in elementary school as part of their efforts to support the America Reads Challenge. For schools that participate, ED authorizes a 100 percent federal share of such students' FWS wages. Students must perform the work for the school itself; a federal, state, or local public agency; or a private, nonprofit organization.

America Counts

New

ED launched America Counts, which is similar to the America Reads Challenge, in July 1999. The program places FWS students as mathematics tutors for students in elementary school through ninth grade. The tutoring can be, but does not have to be, in a school setting. The program is another way for schools to meet FWS Program community-service expenditure requirements. For schools that participate, ED authorizes a 100 percent federal share of such students' FWS wages.

Federal Supplemental Educational Opportunity Grant (FSEOG) Program

Reference:
- HEA, Part A, Sections 413A-413E
- 34 CFR Part 676

Federal Supplemental Educational Opportunity Grants (FSEOGs) are gift aid and do not have to be repaid. These funds are for undergraduate students with financial need who have not yet received a bachelor's degree or a first professional degree. When selecting FSEOG recipients, a school must make awards first to applicants with exceptional financial need and give priority to applicants who receive Federal Pell Grants.

1.5 Major Loan Programs

The largest amounts of Title IV funds come from the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program.

Reference:
- *Student Financial Aid Handbook, Volume 8: Direct Loan and FFEL Programs*
- HEA, Part D
- 34 CFR Part 685

William D. Ford Federal Direct Loan Program

The William D. Ford Federal Direct Loan Program (usually referred to as the Direct Loan Program) consists of:

- the Direct Stafford/Ford Loan (Direct Subsidized Loan) Program,
- the Direct Unsubsidized Stafford/Ford Loan (Direct Unsubsidized Loan) Program,
- the Direct PLUS (Direct PLUS Loan) Program (for parents of eligible dependent students), *and*
- the Direct Consolidation Loan (Direct Consolidation Loan) Program.

Eligible students may borrow Direct Subsidized Loans and Direct Unsubsidized Loans, while parents of eligible dependent students may borrow Direct PLUS Loans. Direct Consolidation Loans are available to both student and parent borrowers.

The federal government makes Direct Loans to eligible undergraduate and graduate students and parents of dependent undergraduate students through financial aid offices at participating schools. Direct Subsidized Loans and Direct Unsubsidized Loans are made to eligible undergraduate and graduate students enrolled at least half time in an eligible program of study, and Direct PLUS Loans are made to eligible parents of dependent undergraduate students enrolled at least half time in an eligible program of study. The loans can also be used to pay for course work necessary as a prerequisite to enroll in an eligible program or for teacher certification programs.

Interest Subsidy

Borrowers are not charged interest on Direct Subsidized Loans during certain periods, such as when they are enrolled at least half time and during grace periods and deferment periods.*

Because the federal government subsidizes the interest on students' Direct Subsidized Loans, students must show financial need to qualify for these loans. The student's COA, EFC, and the amount of other aid the student is receiving determine the loan amount.

Eligibility for *unsubsidized* loans (Direct Unsubsidized Loans and Direct PLUS Loans) is not determined on the basis of financial need. All or a portion of a

***In some cases, a student may be charged interest on a subsidized loan while enrolled half time at an eligible school. An example would be when a student's loan has entered repayment and the student returns to school, but the student does not receive an in-school deferment on the loan.**

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Direct Unsubsidized Loan or Direct PLUS Loan can replace a student's EFC and/or the parent's portion of the EFC. Student borrowers are charged interest on Direct Unsubsidized Loans and parent borrowers are charged interest on Direct PLUS Loans throughout the lives of the loans.

Reference:
- *Student Financial Aid Handbook, Volume 8: Direct Loan and FFEL Programs*

Every student borrower is subject to annual and aggregate loan limits for Direct Subsidized Loans and Direct Unsubsidized Loans. The amount of the annual and/or aggregate limit is determined by the student's grade level in college and his or her dependency status.* A parent may borrow a Direct PLUS Loan up to the dependent student's cost of attendance *minus* estimated financial aid (from all other resources, including other loan programs).

***Certain health professions students may be eligible for higher annual and aggregate loan limits.**

ED's Direct Loan Servicing Center (DLSC) services all Direct Loans and collects payments from borrowers.

Direct Consolidation Loan

A Direct Consolidation Loan is designed to help student and parent borrowers simplify loan repayment by consolidating their federal education loans so that they make only one payment each month. The Direct Loan Consolidation Program offers a number of repayment options. Borrowers may consolidate subsidized and/or unsubsidized Direct Loans, Direct PLUS Loans, as well as most other federal student loans including loans received under the Federal Family Education Loan (FFEL) Program and the Federal Perkins Loan Program.

Federal Family Education Loan (FFEL) Program

Reference:
- *Student Financial Aid Handbook, Volume 8: Direct Loan and FFEL Programs*
- HEA, Part B
- 34 CFR Part 682

The Federal Family Education Loan (FFEL) Program consists of subsidized and unsubsidized Federal Stafford Loans (for students), Federal PLUS Loans (for parents), and FFEL Consolidation Loans (for both students and parents). Participating lending institutions, such as banks and credit unions, make these loans, which are guaranteed by state or national guaranty agencies and insured by the federal government. FFEL Program loans are made to eligible undergraduate and graduate students enrolled at least half time in an eligible program or, in the case of Federal PLUS Loans, to the eligible parents of dependent undergraduate students enrolled at least half time in an eligible program.

Interest Subsidy

The federal government pays the interest on *subsidized* Federal Stafford Loans during certain periods, such as when a borrower is enrolled in school, during a deferment,** and during a borrower's grace period preceding repayment. A borrower makes payments to his or her lender (or to a servicing agent employed by the lender), unless the lender sells the borrower's loan to a secondary market. Then, the secondary market becomes the holder of the loan, and the borrower makes his or her payments to the new loan holder.

****In some cases, a student may be charged interest on a subsidized loan while enrolled half time at an eligible school. An example would be when a student's loan has entered repayment and the student returns to school, but the student does not receive an in-school deferment on the loan.**

Because the federal government pays the interest on *subsidized* Federal Stafford Loans, students must show financial need to qualify for these loans. The student's COA, EFC, and the amount of other aid the student is receiving determine the loan amount.

Eligibility for *unsubsidized* loans (unsubsidized Federal Stafford Loans and Federal PLUS Loans) is not determined on the basis of need, and all or a portion of these loans can replace a student's EFC. A borrower is responsible for paying all interest on an unsubsidized Federal Stafford Loan or a Federal PLUS Loan, with interest beginning to accrue on the date the loan is disbursed.

Reference:

- *Student Financial Aid Handbook, Volume 8: Direct Loan and FFEL Programs*

Every student borrower is subject to annual and aggregate loan limits for subsidized Federal Stafford Loans and unsubsidized Federal Stafford Loans. The amount of the annual and/or aggregate limit is determined by the student's grade level in college and his or her dependency status.* A parent may borrow a Federal PLUS Loan up to the dependent student's cost of attendance *minus* estimated financial aid (from all other resources, including other loan programs).

***Certain health professions students may be eligible for higher annual and aggregate loan limits.**

FFEL Consolidation Loan

A FFEL Consolidation Loan is designed to help student and parent borrowers consolidate several types of federal student loans with various repayment schedules into one loan. Borrowers make only one payment a month for all loans that were consolidated in the FFEL Consolidation Loan. Students can consolidate subsidized and unsubsidized Stafford loans and parents can consolidate PLUS loans as well as most other federal student loans. Borrowers can only receive one consolidation loan. Those loans that were subsidized retain their eligibility for subsidies.

1.6 Other Title IV Programs

Leveraging Educational Assistance Partnership (LEAP) Program (formerly State Student Incentive Grant [SSIG] Program)

The Leveraging Educational Assistance Partnership (LEAP) Program assists states in providing grants to eligible students who attend postsecondary schools and who have financial need. Each state receives an annual allocation of federal LEAP funds that must be matched with a certain amount of state funds. The name of the program, amount of funds available, application procedures, and other aspects of the LEAP Program may vary from state to state. For specific information about the LEAP Program in your state, contact your state education agency. The LEAP Program formerly was the State Student Incentive Grant (SSIG) Program.

Reference:

- *Student Financial Aid Handbook, Volume 9: State Grant Programs*
- HEA, Part A, Section 415
- 34.CFR Part 692
- DCL GEN-98-28
- SPL LEAP-00-01
- DPL LEAP-00-02

Special Leveraging Educational Assistance Partnership (SLEAP) Program

When Congress appropriates amounts in excess of $30 million for the LEAP Program, those excess funds must be applied to the Special Leveraging Educational Assistance Partnership (SLEAP) Program. The SLEAP Program authorizes states to use the funds for any or all of the following eight activities:

- increasing the dollar amount of grants under the LEAP Program;
- carrying out transition programs from secondary school to postsecondary education for needy students;
- carrying out a financial aid program for needy students who wish to enter careers in information technology or other fields determined by the state to be critical to its workforce needs;
- making funds available for community service work-study activities for needy students;
- creating a scholarship program for needy students who wish to be teachers;
- creating a scholarship program for needy students who plan to major in mathematics, computer science, or engineering;
- carrying out early intervention, mentoring, and career education programs for needy preschool, elementary-school, or secondary-school students; *and*
- awarding merit or academic scholarships to needy students.

Postsecondary students receiving aid through a SLEAP program must meet general student eligibility requirements and demonstrate financial need.

The maximum amount the federal government contributes (the federal share) under the SLEAP Program is 33 1/3 percent. Funds are allocated to states in the same manner as LEAP, and these funds pay the federal share of costs for any or all of those authorized program activities. States are required to assure ED that they are meeting the nonfederal-share matching terms according to program requirements.

Robert C. Byrd Honors Scholarship Program

This program provides federal grants to states so that scholarships may be made to exceptionally able students for postsecondary study. The purpose of the program is to promote academic excellence and achievement. Each state establishes its own application procedures for Byrd Scholarships. For specific information about how the Byrd Scholarship Program is administered in your state, contact your state education agency.

Reference:

- *Student Financial Aid Handbook: Volume 9 State Grant Programs*
- HEA, Part A, Section 419 A-K
- 34 CFR Part 654

Reference:
- HEA, Part A, Section 404 A-H

***Please note that the former NEISP provisions make up only a small part of the GEAR UP provisions.**

Gaining Early Awareness and Readiness for Undergraduates Program (GEAR UP)

Gaining Early Awareness and Readiness for Undergraduates Program (GEAR UP) replaced the National Early Intervention Partnership and Scholarship Program (NEISP).*

GEAR UP provides a range of early-intervention services to middle schools serving a high percentage of low-income students. Partnerships are required to include:

- a degree-granting institution of higher education,
- a middle school in which 50 percent of the students are eligible for free or reduced-cost lunch,
- high schools where these students will ultimately enroll, *and*
- at least two community organizations.

Certain GEAR UP provisions allow states to receive grants that:

- provide or maintain a guaranteed amount of financial assistance necessary to permit eligible, low-income students who obtain high school diplomas or the equivalent to attend institutions of higher education;
- provide financial incentives in cooperation with local educational agencies, institutions of higher education, community organizations, and businesses; and
- provide a variety of early-intervention services.

Reference:
- HEA, Part A, Sections 406A-407E

Academic Achievement Incentive Scholarship Program

The purpose of the Academic Achievement Incentive Scholarship Program is to help financially needy students who have demonstrated their academic abilities. The scholarships are for students who are eligible for Federal Pell Grants and graduate after May 1, 2000 in the top 10 percent of their high school graduating class. The maximum scholarship a student can receive is equal to the amount of the student's eligibility for a Federal Pell Grant, which can result in doubling the student's grant amount. This program is unfunded for the 2000-01 award year.

1.7 Other Federal Student Aid Programs

In addition to the Title IV programs described previously, there are other federal financial assistance programs for students.

Reference:
- http://americorps.org

AmeriCorps

AmeriCorps, a program of national and community service, provides education awards of up to $4,725 a year. Education awards vary depending on whether the student participates on a full-time or part-time basis. Students participating in AmeriCorps usually receive a living allowance on a regular basis. This living allowance is not considered an hourly wage or salary.

Living allowances are taxable by the Internal Revenue Service (IRS) but are an exclusion from the income used to calculate a student's EFC for purposes of awarding Title IV aid. If the stipend is included in the student's AGI, it is to be included on Worksheet C of the 2002-2003 FAFSA. Also, a student participating in the Federal Work-Study Program (FWS) is ineligible to receive a living allowance.

Wages earned from FWS will be reported on the appropriate worksheet and excluded from the AGI need analysis calculation. In most cases, according to the IRS, educational awards are subject to income taxes in the calendar year in which they are used. This taxable amount is reported on form 1099. When the student files a FAFSA for the following year, the amount of the AmeriCorps award received in the base year (2001 calendar year for the 2002-2003 FAFSA) and included in that year's AGI is to be excluded from the need analysis calculation and included on line 4 of Worksheet C of the 2002-2003 FAFSA.

Individuals may work before, during, or after their postsecondary education and can use the funds either to pay current or future education expenses or to repay federal student loans. Participants must be high school graduates, have GEDs, or be working toward their GEDs. For more information students can call 1-800-942-2677 or write to:

The Corporation for National Service
1201 New York Avenue, NW
Washington, DC 20525

Reference:
- http://www.hrsa.dhhs.gov/bhpr/dsa

Programs Funded by the U.S. Department of Health and Human Services (HHS)

The U.S. Department of Health and Human Services (HHS) offers a variety of financial aid programs for students who are interested in becoming health professionals, such as physicians, nurses, and dentists. Some of the programs require students to make a commitment to work as a health care provider in an area of need, such as in a geographically underserved area.

1.8 Federal Education Tax Credits

Reference:

- 26 CFR, Part 1, 1.25A-3, of January 6, 1997, NPRM
- DCL ANN-98-16

Reference:

- http://ed.gov/inits/hope

The Hope Scholarship

The Hope Scholarship is really a federal tax credit authorized by Congress in the Taxpayer Relief Act of 1997. For families with students in the first two years of postsecondary school, taxpayers are eligible for a tax credit equal to 100 percent of the first $1,000 of tuition and fees and 50 percent of the second $1,000 (the amounts are indexed for inflation after 2001). The credit became available on a per-student basis for net tuition and fees (less grant aid) paid for college enrollment after December 31, 1997. The credit is phased out for joint filers who have between $80,000 and $100,000 of adjusted gross income and for single filers who have between $40,000 and $50,000 (indexed after 2001). The credit can be claimed in two taxable years (but not beyond the year when the student completes the first two years of college) for any individual enrolled on at least a half-time basis for any portion of the year.

Schools must report certain information to students and the Internal Revenue Service (IRS), such as students' tuition and fees. Specific institutional reporting requirements are published by IRS.

Reference:

- 26 CFR, Part 1, 1.25A-4, of January 6, 1997, NPRM
- DCL ANN-98-16

Reference:

- http://ed.gov/inits/hope

Lifetime Learning Credit

The Lifetime Learning Credit is also a federal tax credit authorized in the Taxpayer Relief Act of 1997. It is for students who have completed their first two years of college or are enrolled in classes part time to improve or upgrade their job skills. Families receive a 20 percent tax credit for the first $5,000 of tuition and fees through 2002, and for the first $10,000 thereafter. The credit is available for net tuition and fees (less grant aid) paid for postsecondary enrollment after June 30, 1998. The credit is available on a per-taxpayer (family) basis, and it is phased out at the same income levels as the Hope Scholarship.

Like the Hope Scholarship, schools must report certain information to students and the IRS, such as students' tuition and fees. Specific institutional reporting requirements are published by the IRS.

1.9 Coordination of Financial Aid Resources

A student receiving federal student aid can only receive financial assistance, from all available resources, up to his or her COA. Financial assistance can be received from a variety of resources, including veteran's education benefits, scholarships from outside sources, and nonfederal student loans.

Students who receive outside sources of financial assistance are required to report the receipt of that aid to the financial aid office. This is to ensure that the student does not receive more Title IV assistance than allowed under federal law.

For this same reason, it's important that the financial aid office and the fiscal office coordinate information on funds received for financial assistance.

1.10 The Fiscal Activity Calendar

Fiscal activities managed by postsecondary institutions occur at various points during the academic year, the award year, and the fiscal year.

The Academic Year

The HEA establishes the definition of an academic year. ED regulations guide schools in complying with the definition.

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- HEA, Part G, Section 481
- 34 CFR 668.2(b)(1)

Every eligible school program, including graduate programs, must have a defined academic year that contains a minimum of 30 weeks of instructional time. In addition, for undergraduate programs, an academic year must contain 30 weeks of instructional time during which a full-time undergraduate student must be expected to complete at least 24 semester or trimester hours, 36 quarter hours, or 900 clock hours, as appropriate. A school may determine the amount of course work a full-time graduate or professional student is expected to complete over an academic year.

To determine the number of weeks of instructional time, a school must count the period that begins on the first day of classes and ends on the last day of classes or examinations.

Reduction of Academic Year

Reference:
- 34 CFR 668.3

ED may grant waivers of the 30-week requirement for schools that provide two-year or four-year programs of study for which they award associate or baccalaureate degrees. ED may grant a reduction in the length of an academic year.

- ♦ If a reduction is approved, a school is permitted to have an academic year of less than 30 weeks of instructional time (but not less than 26 weeks) without reducing the amount of Title IV funds that a student enrolled in an eligible program is eligible to receive for an entire academic year.

Reference:
- 34 CFR 668.3(c)(1)(i-iv)

A reduction is available to schools that want to begin or continue to operate with a reduced academic year on a long-term basis. This reduction must be renewed each time a school is required to apply for recertification to award federal financial aid.

When evaluating a school's application to reduce the length of an academic year, ED will consider such factors as:

- ♦ any unique circumstances that justify granting the request,

- the school's compliance with procedures for awarding aid and disbursement based on the academic-year requirements of the HEA,
- the approval of the academic year by the school's accrediting agency or state agency, *and*
- the hours of attendance and other course work that a full-time student is required to complete in the academic year.

ED has granted this waiver to very few schools. Schools can request the waiver by two methods. One method is for a school to submit its request to either of the following addresses:

By U.S. Postal Service:
U.S. Department of Education
Case Management and Oversight Service
P.O. Box 44805
L'Enfant Plaza Station
Washington, DC 20026-4805

By commercial overnight mail or courier delivery:

U.S. Department of Education
Case Management and Oversight Service
7th and D Streets, SW
GSA Building, Room 5643
Washington, DC 20407

Reference:
- http://eligcert.ed.gov

The other method is for a school to submit its request electronically through the World Wide Web at http://eligcert.ed.gov. At the Web site, the school must complete questions 1 and 69 *and* the signature page.

Reference:
- See Appendix D for further details on Case Management Teams.

With either method, the school must submit documentation supporting its request for the waiver. If a school has questions about the waiver, the school should contact the Case Management Team that serves its state.

A school may have different academic years for different programs, but must use the same academic year definition for:

- calculating all Title IV awards for students enrolled in a particular program *and*
- all other Title IV program purposes, such as certifying loan deferments.

Clock-Hour and Term-Based Programs

Reference:
34 CFR 668.8(b)(3)(i)

For educational programs using semesters, trimesters, or quarters *or* clock hours, a week of instructional time is defined as any consecutive seven-day period in which at least one day of regularly scheduled instruction, examinations, or preparation for examinations occurs.

Reference:
- 34 CFR 668.8(b)(3)(ii)

Nonterm Credit-Hour Programs

For educational programs measured in credit hours without standard terms (semesters, trimesters, or quarters), a week of instructional time is defined as any consecutive seven-day period in which at least 12 hours of instruction, examinations, or preparation for examination occurs.

Reference:
- *Student Financial Aid Handbook: Volume 2 Institutional Eligibility*
- HEA, Part G, Section 481

The Award Year

Funds are appropriated by Congress for a specific financial aid **award year.** That year is the 12-month period during which postsecondary institutions disburse Title IV aid and other federal financial aid funds to students. The award year runs from July 1 of one calendar year to June 30 of the next calendar year.

For example, the 2001-02 award year begins on July 1, 2001 and ends on June 30, 2002. Immediately following the end of the award year, schools must file reports on that award year's activities.

For any award year, financial aid application processing begins on January 1 of the calendar year in which the award year begins; financial aid payment processing ends on September 30 of the calendar year in which the award year ends.

- For example, for the 2001-02 award year, processing begins on January 1, 2001 and ends on September 30, 2002.

The Fiscal Year

The fiscal year is defined by the institution. Examples of commonly used fiscal year periods are:

- January 1 to December 31 (the calendar year),
- July 1 to June 30 (the financial aid award year), *and*
- October 1 to September 30 (the federal fiscal year).

For many institutions, the school fiscal year differs from the federal fiscal year.

Reference:
- HEA, Part G, Section 482

The Federal Master Calendar

To ensure timely delivery of Title IV funds to students, federal law requires that ED adhere to a master calendar when developing required publications, communicating with postsecondary institutions, issuing regulations, and performing other activities necessary to both ED's and the institutions' administration of Title IV programs.

See page 1.18 for the mandated FAFSA development schedule and page 1.19 for the master allocation calendar for Federal Pell Grant and campus-based aid.

The master calendar requires that regulations affecting a given award year be published by ED no later than November 1 of the preceding calendar year.

- For example, for the 2001-02 award year, all final regulations had to be issued on or before November 1, 2000. These regulations may take effect no earlier than July 1, 2001.*

***Please note, although it is generally true that the regulations will not take effect before July 1, 2001, on occasion there are exceptions.**

For allocations of Federal Pell Grant and other campus-based funds, the law also mandates that ED adhere to the following master calendar dates in the year preceding the award year.

- August 1—distribution of application for campus-based funds (Fiscal Operations Report and Application to Participate [FISAP]) to institutions
- October 1—final date for institutions to submit FISAP to ED
- November 15—ED sends FISAP edits to institutions
- December 1—appeal procedures received by institutions
- December 15—institutions return any FISAP edits to ED
- February 1—institutions receive tentative ED award levels for campus-based programs; institutions also receive final Federal Pell Grant Program Payment and Disbursement Schedule
- February 15—closing date for institutional appeals of campus-based awards to be received by ED
- March 1—appeals process completed
- April 1—final award notifications for campus-based programs sent to institutions by ED
- June 1—Federal Pell Grant Program initial authorization levels sent to schools using the advance payment method

FAFSA Development Schedule Mandated by the Federal Master Calendar

February 1 - First meeting of the ED technical committee on FAFSA design

March 1 - Proposed modifications and updates published in the *Federal Register*

June 1 - Final modifications and updates published in the *Federal Register*

August 15 - Application, data elements, and instructions approved

August 30 - Final approved FAFSA delivered to servicers and printers

October 1 FAFSA printed

November 1 - FAFSA and training materials distributed

Master Allocation Calendar for Federal Pell Grant and Campus-Based Programs

August 1 - ED distributes FISAP to participating schools

October 1 - Final date for schools to submit FISAP to ED

November 15 - ED sends edited FISAP to schools

December 1 - Funding-appeal procedures received by schools

December 15 - Schools return any FISAP edits to ED

February 1 - Schools receive tentative campus-based program(s) award levels and final Federal Pell Grant payment schedule

February 15 - Closing date for ED to receive any school appeals for campus-based program(s) funds

March 1 - Appeal process completed

April 1 - ED sends final campus-based program(s) award notifications to schools

June 1 - ED sends Federal Pell Grant initial authorization levels to schools using the advance payment method

Chapter 2

General Institutional Responsibilities

Summary

This chapter discusses the broad range of responsibilities of schools participating in the U.S. Department of Education's (ED's) Title IV student financial aid programs (Title IV programs). It presents information about institutional fiscal operations and network of responsibilities; institutional eligibility; financial responsibility; administrative capability (including separation of functions); and other areas such as consumer information, institutional policies and procedures, program evaluation, return of Title IV funds, record maintenance, and disclosing student information.

Key Terms*

- administrative capability
- allowable charges
- Application for Approval to Participate in Federal Student Financial Aid Programs
- approval letter
- Campus Security Act
- Catalog of Federal Domestic Assistance (CFDA)
- composite score
- Debt Collection Service (DCS)
- earned aid
- Eligibility and Certification Approval Report (ECAR)
- Equity in Athletics Disclosure Act (EADA)
- equity ratio
- experimental site
- Family Education Rights and Privacy Act of 1974 (FERPA)
- financial responsibility
- institutional charges
- leave of absence (LOA)
- letter-of-credit alternative
- Modernization Blueprint
- net income ratio
- 90/10 rule
- overpayment
- post-withdrawal disbursement
- primary reserve ratio
- Program Participation Agreement (PPA)
- provisional certification alternative
- Quality Assurance Tools (QAT)
- return of Title IV funds
- Student Right-To-Know (SRK) Act
- unearned aid
- withdrawal date
- zone alternative

***Key terms are in boldface type when they first appear in the text.**

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2.1 Overview of Fiscal Operations and the Network of Responsibilities

Reference:

- 34 CFR 600
- 34 CFR 668, Subparts B, L
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

The term "fiscal operations" encompasses a broad range of processes. For Title IV programs, these include, but are not limited to:

- requesting funds from the federal government,
- disbursing funds to eligible students and parents,
- keeping accurate and auditable financial records,
- managing cash,
- accounting for funds and financial activities, *and*
- reporting on these activities.

Schools organize and manage their fiscal operations differently, depending on such factors as the size of the school, administrative structure, staffing, automation, and federal program participation. Although fiscal operations can vary from school to school, successfully managing Title IV programs at any school depends on coordinated efforts across institutional offices.

Coordination has become increasingly important as automated systems have replaced paper-based ones. Automated systems bring many benefits, such as enhanced data integrity and speedy data exchange. However, they also present challenges; the most critical, perhaps, is that automation can blur responsibility for functions that, by law, must be kept separate, such as authorizing and disbursing financial aid awards.

Managing Title IV Programs

Managing Title IV financial aid is an institution-wide responsibility. The entire school benefits from Title IV programs, so all offices at a school need to work together. However, managing Title IV programs includes three main functional areas:

- the administrative (president's) office,
- the financial aid office, *and*
- the business (bursar's) office.

As mentioned earlier in this chapter, schools differ in how they divide these functions among administrative offices. However, the president's office, the financial aid office, and the business office always play key roles.

The Administrative (President's) Office

Responsibility for overall administration resides with the school's president, chancellor, or chief executive officer (CEO). The leadership and management style of the person in this position sets the tone and direction of the financial aid program for the entire institution.

Although authority and responsibility are delegated to other offices, the leadership and support of the CEO/president are crucial to successfully administering Title IV programs. By recognizing the importance of federal aid programs, making Title IV program administration a high priority, and holding key officials accountable, CEO/president leadership can foster an environment that promotes an effective and responsive financial aid program that meets institutional goals, students' needs, and federal requirements.

The checklist on the next page lists the legal responsibilities of the CEO/president.

The CEO/President must ensure that a school...

- ☐ is financially responsible to administer Title IV programs
- ☐ is administratively capable of administering Title IV programs
- ☐ has a capable individual to administer Title IV programs and coordinate federal and nonfederal financial aid programs
- ☐ has an adequate number of qualified staff to administer Title IV programs
- ☐ has a procedure to report changes to ED about the school's current eligibility status (for example, change in ownership, address, name, officials, third-party servicers, and so on)
- ☐ has a procedure to ensure that Title IV funds for new programs and locations are not disbursed until approvals (when required) are received from ED
- ☐ has established clear lines of responsibility among the pertinent school offices
- ☐ has good communication and cooperation among personnel in the pertinent school offices
- ☐ maintains effective record-keeping systems for both student records *and* financial records
- ☐ has an adequate system of checks and balances to ensure separation of award functions from disbursement functions
- ☐ has accurate information about student applicants for Title IV aid and resolves any discrepancies or inconsistencies
- ☐ provides adequate financial aid and loan debt management counseling to students
- ☐ refers any suspected cases of Title IV fraud, abuse, or misrepresentation to ED's Office of Inspector General (OIG)
- ☐ obtains a letter of credit (if the school has failed to meet the standards of financial responsibility)[1]
- ☐ has an independent auditor perform an annual nonfederal audit of the school's Title IV financial operations[2]
- ☐ cooperates fully with any program reviews or audits and makes available all necessary information to the reviewers or auditors
- ☐ has no criminal or fraudulent activities occur as it manages federal funds *and* administers Title IV programs
- ☐ has established reasonable standards of satisfactory academic progress (SAP) for students
- ☐ has established a fair and equitable institutional refund policy (if required by the school's accrediting agency)
- ☐ has an operable and accessible drug-abuse prevention program, as required by the Drug-Free Schools and Communities Act
- ☐ is a drug-free workplace, as required by the Drug-Free Workplace Act
- ☐ makes available all published information required by the Student Right-to-Know Act and the Campus Security Act and any other pertinent laws and regulations
- ☐ provides the services described in its publications

[1] This letter of credit (LOC) is an ED requirement if the school fails to meet the standards of financial responsibility. A school would obtain the LOC from a bank or other financial institution in the amount of Title IV program funds the school received during its most recently completed fiscal year. If it is a new school, the LOC would be 50 percent of the amount of Title IV program funds ED expects the school to receive during its initial year. The LOC would be payable to ED, and ED would draw on the LOC if there is cause. While the school may contest ED's action to draw LOC funds, ED holds these funds while the school protest is processed. Although ED no longer requires a school to obtain a fidelity bond, the school may choose to obtain one as a good business practice to protect itself against improper actions of employees, board members, and so on.

[2] If a school disburses less than $200,000 in Title IV funds annually in each of the two award years prior to the audit period, ED may authorize it to have audits every three years if the school submits a letter of credit for not less than 10 percent of the amount of Title IV program funds the institution disbursed during the award year preceding the institution's waiver request. [See 34 CFR 668.27(D).] In addition, schools that are subject to the rules under the A-133 audit and have under $300,000 in Title IV funds are completely exempt from an annual audit. However, if the schools have audited financial statements done for them, ED can ask for the audits.

The Financial Aid Office

While a school's financial aid office assumes most of the responsibility for administering Title IV programs, its role in the institution's fiscal operation is usually a limited one. See the checklist below for a list of functions carried out by financial aid administrators.

Common responsibilities assigned to a school's financial aid office:

- ☐ Advise and counsel students and parents about financial aid
- ☐ Provide students with consumer information, as required by federal regulations
- ☐ Develop written policies and procedures about the way the school administers Title IV programs
- ☐ Determine students' eligibility for financial aid
- ☐ Make financial aid awards to students, but not disburse the funds
- ☐ Adhere to the principle of separation of functions (no single office or individual may authorize payments *and* disburse Title IV funds to students)
- ☐ In administering financial aid programs, coordinate financial aid activities with those of other school offices
- ☐ Interact with various outside groups, agencies, associations, and individuals about issues concerning the school's administration of financial aid programs
- ☐ Monitor students' satisfactory academic progress (SAP)
- ☐ Maintain school records *and* student records that document activities of the financial aid office and provide data for reports
- ☐ Keep current on changes in laws and regulations to ensure that the school remains in compliance
- ☐ Assist in reporting Pell Grant expenditures
- ☐ Manage and report on activities that involve financial aid funds
- ☐ Calculate the return of Title IV funds and, if it applies, authorize post-withdrawal disbursements to students[1]
- ☐ Assist in reconciling loan records (for schools that participate in the Direct Loan Program)
- ☐ Reconcile student financial aid data provided to the business office to ensure that all payments have been made, return of Title IV funds have been accounted for, and expenditures have been reported
- ☐ Have a procedure to report any changes to ED about the school's current eligibility status (for example, change in ownership, address, name, officials, third-party servicers, and so on)
- ☐ Have a procedure to ensure Title IV funds for new programs and locations are not disbursed until the approvals (when required) are received from ED
- ☐ Perform (limited) fiscal operations, such as:
    - authorizing payment of Title IV funds to student accounts or to students directly
    - authorizing return of Title IV funds to program accounts and post-withdrawal disbursements to students
    - notifying a student who owes an overpayment as a result of the student's withdrawal from the school in order for ED or the school to recover the overpayment
    - notifying ED of the overpayment
    - coordinating submission of the Fiscal Operations Report and Application to Participate (FISAP)
- ☐ Provide entrance and exit counseling to borrowers of FFEL Program loans and Direct Loan Program loans as part of the award and delivery process[2]
- ☐ Provide entrance and exit counseling to borrowers of Federal Perkins Loans as part of the award and delivery process[2]

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[1] At some schools, the business office performs this function.

[2] At some schools, these activities are performed by the business office. See page 2-7.

The Business (Bursar's) Office

Title IV-related fiscal operations are handled by an institution's business office. This office may go by another name—fiscal office, finance office, comptroller's office, bursar's office, treasurer's office, or student accounts office. For the duration of this book, this office will be referred to simply as "the fiscal office" or "the business office."

The business office provides critical services to the school in managing both federal and nonfederal financial aid programs. Maintaining accounting, recordkeeping, and reporting functions related to the institution's use of federal and other funds requires many detailed, complex systems. Strong internal controls and sound business and financial management practices are keys to the success of these operations and delivering funds to students.

The checklist on the next page lists some of the common responsibilities of the fiscal office.

Common responsibilities assigned to a school's business office:

- ☐ Coordinate activities and cooperate with the financial aid office in:
  - projecting cash flow needed to cover disbursements
  - processing cancellations and institutional refunds
  - obtaining authorization to pay Title IV funds
  - being aware of the changes in Title IV laws and regulations
  - submitting accurate and timely reports
  - reconciling with the financial aid office to ensure that all financial aid adjustments have been properly recorded
- ☐ Maintain a system of internal controls that includes adequate checks and balances
- ☐ Ensure that the functions of authorizing and disbursing Title IV funds remain separate
- ☐ Maintain records according to federal and generally accepted accounting procedures (GAAP)
- ☐ Maintain records to ensure a clear audit trail
- ☐ Draw down and return Title IV funds to program accounts
- ☐ Disburse funds to eligible students from Title IV program accounts
- ☐ Maintain a system of student accounts that records changes, credits, and amounts due (if the school uses individual student accounts)
- ☐ Collect Federal Perkins Loans[1]
- ☐ Calculate the return of Title IV funds, and if it applies, authorize post-withdrawal disbursements to students[2]
- ☐ Establish and implement the institution's refund policy (if required by the school's accrediting or state agency)[2]
- ☐ Establish and monitor Federal Work-Study (FWS) payroll and time sheets
- ☐ Process return of Title IV funds to program accounts and post-withdrawal disbursements to students according to the applicable federal laws and regulations
- ☐ Assist in reporting Title IV expenditures to ED in a timely manner
- ☐ Reconcile accounts, including:
  - reconciling cash between school records and bank statements
  - reconciling federal funds between bank statements and federally reported balances
- ☐ Assist in completing applications and fiscal reports for federal funds
- ☐ Maintain a cash management system to meet disbursement requirements and federal laws and regulations
- ☐ Provide general stewardship for federal funds, including maintaining bank accounts and investments as appropriate
- ☐ Prepare for and participate in Title IV program reviews and audits
- ☐ Provide entrance and exit counseling to borrowers of FFEL Program loans and Direct Loan Program loans as part of the disbursement process[2]
- ☐ Provide entrance and exit counseling to borrowers of Federal Perkins Loans as part of the disbursement process[3]

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1. At some schools, a separate student loan office collects these loans.
2. At some schools, the financial aid office performs this function.
3. At some schools, these activities are performed by the financial aid office (see page 2-5). In addition, the business office may be responsible for administering other aspects of the Federal Perkins Loan Program. While the financial aid office may be responsible for awarding Perkins Loan funds, the business office may be responsible for collecting and handling promissory notes, billing borrowers in repayment, collecting payments, authorizing deferments, canceling loans, and reporting Perkins Loans to NSLDS.

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Merging Responsibilities

To ensure that all functions are carried out for each Title IV aid program, each office within your school has certain responsibilities. To illustrate this network of responsibilities, consider the relatively routine activity of managing Federal Work-Study (FWS) Program time sheets for student employees. For example, the financial aid office typically authorizes FWS awards and monitors student earnings to make sure students have not exceeded their authorized award amount. In this scenario, the business office processes payroll and monitors the school's nonfederal share of FWS to ensure the school is adequately matching the federal share.

Reference
- 34 CFR 668.16(c)(2)

Remember, by law, no single office or individual can both authorize and disburse federal student financial aid funds, nor can the individuals be members of the same family.

Your process probably demonstrates a similar interdependence of various offices at your school. To further demonstrate this principle, try completing the FWS questionnaire on the next page as it applies to your school.

Network of Responsibilities—FWS Questionnaire

1) The Federal Work-Study (FWS) Program time sheet requires oversight certification.

- Who is authorized to certify that a student's work was performed in a satisfactory manner?________
____

2) Students must remain eligible from one term to the next.

- Who monitors student eligibility and academic progress?________________________

3) Some eligibility requirements are school policies.

- Who develops these policies for the school?________________________

4) Students are paid their wages on the basis of their time sheets.

- Who collects the time sheets from students? ________________________
- Who processes the payroll? ________________________
- Who reconciles the payroll to the time sheets?________________________

5) Students may only earn up to the amount of their authorized FWS awards.

- Who determines the amount of the award?________________________
- Who monitors students' earnings to ensure they do not earn more than that amount? ________

6) All schools are required to spend at least 7 percent of the federal allocation of their FWS funds to employ students in community-service positions.

- Who locates and develops these jobs?________________________
- Who monitors the percentage of funds used for these jobs? ________________________

7) Student earnings are part of the institution's overall FWS budget.

- Who develops the budget? ________________________
- Who monitors expenditures?________________________

8) Schools that receive FWS funds are required to apply for those funds and to report to ED on the use of those funds.

- Who completes the application?________________________
- Who completes the report?________________________

2.2 Institutional Eligibility

Reference:
- *Student Financial Aid Handbook: Volume 2 Institutional Eligibility*

To participate in any Title IV program(s), an institution must:

- meet the standards for an eligible institution,
- demonstrate that it meets Title IV financial responsibility requirements,
- demonstrate that it is administratively capable of managing Title IV programs,
- enter into a written **Program Participation Agreement (PPA)** with ED, *and*
- be certified to participate in Title IV programs.

Reference:
- 34 CFR 600.7

Some conditions that could cause an eligible institution to become ineligible are:

- more than 50 percent of the institution's courses are correspondence courses;
- 50 percent or more of the institution's regular enrolled students are enrolled in correspondence courses;
- more than 25 percent of the institution's regular enrolled students are incarcerated;
- more than 50 percent of its regular enrolled students have neither a high school diploma nor a recognized equivalent of a high school diploma, and the school does not provide a four-year educational program for which it awards a bachelor's degree or a two-year program for which it awards an associate degree; *or*
- the institution (or an affiliate of the institution that has the power by contract or ownership interest) files for relief in bankruptcy; or has entered against it an order for relief in bankruptcy; or the institution, its owner, or its CEO has pled guilty to, has pled *nolo contendere* to, or is found guilty of a crime involving the acquisition, use, or expenditure of Title IV program funds or has been judicially determined to have committed fraud involving Title IV program funds.

Types of Eligible Institutions

Reference:
- 34 CFR 600.4 – 600.6

The Higher Education Act of 1965, as amended (HEA), defines three types of postsecondary institutions that are eligible to participate in Title IV programs:

- institutions of higher education,

- proprietary institutions of higher education, *and*
- postsecondary vocational institutions.

A public or private, nonprofit school can fall into more than one category. However, a proprietary school cannot fall into more than one category. The type of institution is defined mainly by how the school is controlled (public, private, for-profit, nonprofit) and by the minimum program length offered by the school. Proprietary institutions have an additional eligibility requirement called the **"90/10" rule.**

90/10 Rule

The 90/10 rule means that no more than 90 percent of a proprietary institution's revenue in a fiscal year may be derived from Title IV program funds; at least 10 percent must come from non-Title IV funds. Federal funding that is not from Title IV funds may be included in the 10 percent.

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- HEA, Section 102(b)
- 34 CFR 600.5(a)(8) and (d)

- A proprietary institution that determines it satisfied the 90/10 rule during its most recently completed fiscal year must have the auditor preparing its audited financial statement verify and attest to the accuracy of that determination. This is done in a footnote to the audited financial statement.
- When schools do not satisfy this requirement, they must report this directly to ED within 90 days of the end of their fiscal year. Audits of schools that do satisfy this requirement must include a statement to that effect.
- The institution's overall financial management capability must be examined annually by auditors to ensure that good practices are maintained and that poor ones are corrected. Two important areas in which standards must be upheld for continued participation in Title IV programs are financial responsibility and **administrative capability.***

Reference:
- 34 CFR 668.16

***The standards of financial responsibility and administrative capability applies to all schools, not just those affected by the 90/10 rule.**

Application for Approval to Participate

An institution must be approved and certified by ED to participate in any of the following Title IV programs:

- Federal Pell Grant,
- Federal Supplemental Educational Opportunity Grant (FSEOG),
- Federal Work-Study (FWS),
- Federal Perkins Loan (Perkins),

Reference:
- 34 CFR 668.12 and 13
- 34 CFR 600.20 and 21

- Federal Direct Loan, *and*
- Federal Family Education Loan (FFEL).

Reference:
- http://www.eligcert.ed.gov

To apply for institutional participation, an institution must submit an **Application for Approval to Participate in Federal Student Financial Aid Programs** to ED, as well as any other requested materials (such as a current letter of accreditation and a valid state license or other state authorization). Schools access the application electronically using ED's Web site, complete the electronic application (E-App), and submit it to ED. This automated format has greatly streamlined the old paper-based application process, and results in significant time saved for school staff and ED. However, schools must sign and mail to ED Section L (paper signature page) of the application along with all required supporting documents.

ED uses the information in the application to determine whether the school meets Title IV eligibility requirements and is administratively capable and financially responsible.

Program Participation Agreement and the ECAR

Reference:
- 34 CFR 668.14

When ED approves a school's application, ED sends the school two copies of a Program Participation Agreement (PPA). The PPA includes the date the school's eligibility to participate in Title IV programs expires. The school must sign and return both copies of the PPA to ED to participate in any Title IV program other than the Leveraging Educational Assistance Partnership (LEAP) Program (formerly the State Student Incentive Grant Program). ED then sends the school an **approval letter**, an **Eligibility and Certification Approval Report (ECAR)**, and a copy of the school's PPA signed and dated by ED.

- The approval letter details what changes at the school would need to be reported to ED, as well as what changes would cause the school to lose its eligibility to participate in Title IV programs. In addition, the approval letter provides the school with its OPE-ID number and a description of the ECAR.
- The ECAR contains the critical data elements that form the basis of the school's approval. It also lists the highest level of educational offering, any non-degree programs or short-term programs, and any additional locations at which the school has been approved for the Title IV programs. All of these documents must be kept available to be reviewed by auditors and ED officials, including Title IV program reviewers.

Under the PPA, an institution agrees to comply with the laws and regulations governing Title IV programs. When entering into a PPA, the school must demonstrate it can carry out its administrative responsibilities for properly managing Title IV programs and that it has the financial resources necessary for providing the education it promises under the factors of financial responsibility.

A school that is participating for the first time in federal student aid programs is provisionally certified for one award year.

A school that wishes to continue to participate in Title IV aid programs is required to be recertified before the expiration date of its PPA. Recertification may last up to six years, but could be for a shorter period under certain conditions. Six months before its PPA expires, ED will send a recertification reminder notice to the school. The school must submit a materially complete application that includes all required supporting documentation requesting recertification 90 days before the expiration date of its current PPA if it wants to continue to award federal financial aid funds without interruption.

Reference:
- DCL ANN-97-4
- DCL ANN-97-7
- DCL GEN-98-8

Single Identifier Initiative

Schools currently use an OPE-ID number — an eight digit, system-generated identifier issued by ED — that accounts for the institution's main location, its off-site locations, and its Electronic Data Exchange (EDE) addresses. In some cases, different OPE-ID numbers (for the same Title IV program) have been used for the same institution. This type of overlap impairs ED's ability to provide accurate information about the amount of financial aid a college or university receives and hinders effective oversight of Title IV programs. To remedy this, ED has implemented a single identifier for schools.

Reference:
http://www.dnb.com

In December 1998, ED completed and populated an identifier crosswalk in the Postsecondary Education Participants System (PEPS). From July 1999 to June 2000, ED implemented a single, eight-digit identification numbering system. ED rearranged identifiers so that each school uses only one OPE-ID number. Those identifiers are now crossed to a single revised OPE-ID numbering system.

2.3 Financial Responsibility Standards

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- HEA, Section 498(c)
- 34 CFR 668, Subpart L

Congress requires ED to assess whether schools meet financial responsibility standards. To meet these standards, schools must satisfy three statutory components.

According to ED regulations, a school is considered to be financially responsible if it:

1. provides the services described in its official publications and statements,
2. properly administers the Title IV programs in which it participates, *and*
3. meets all of its financial obligations.

Using institutional audited financial statements and other information, ED evaluates whether the school meets required financial responsibility standards. See the chart on the next page for details.

Components of Financial Responsibility

To be financially responsible, a school must...	ED assesses schools on the basis of...
• Provide the services described in its official publications and statements	• Sufficient resources for its education programs, services, and financial obligations
• Administer Title IV programs properly	• Past performance • Program compliance
• Meet its financial obligations	• Making timely refunds of tuition and other related costs to students • Making timely returns of Title IV funds to ED • Being current on its debt payment

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.171(c)

Financial Responsibility Standards for Public Institutions

ED considers a public institution to be financially responsible if the institution:

- notifies ED that it is designated as a public institution by the state, local, or municipal government entity, tribal authority, or other government entity that has legal authority to make that designation;
- provides a letter from an official of that state or government entity confirming that the institution is a public institution; *and*
- is not in violation of any past-performance requirement.

Reference:
- 34 CFR 668.174

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.171(b)(1)
- 34 CFR 668.172(b)(1)(2)
- 34 CFR 668, Appendix F
- 34 CFR 668, Appendix G

Financial Responsibility Standards for Proprietary and Private Institutions

A for-profit or nonprofit, private institution is financially responsible if ED determines that it meets *all* of the four standards that follow and does not have an adverse, qualified (limited or modified in some way), or disclaimed audit opinion or past-performance problem.

Standard #1

The institution's equity, primary reserve, and net income ratios must yield a **composite score** of at least 1.5. ED determines the composite score by:

***DCL GEN-01-02 deals with the inclusion of "debt obtained for long-term purposes" in the primary reserve ratio.**

1. calculating the result of the school's **primary reserve,* equity, and net income ratios,**
2. calculating the strength-factor score for each of those ratios by using the corresponding algorithm,
3. calculating the weighted score for each ratio by multiplying the strength-factor score by its corresponding weighted percentage,
4. summing the resulting weighted scores to arrive at the composite score, *and*
5. rounding the composite score to one digit after the decimal point.

Reference:

- **See pages 2-68 through 2-73 of this book for more information on calculating ratio methodologies for proprietary and private, nonprofit institutions.**

The ratios for proprietary institutions are:

- $$\textit{Primary Reserve Ratio} = \frac{\text{Adjusted Equity}}{\text{Total Expenses}}$$
- $$\textit{Equity Ratio} = \frac{\text{Modified Equity}}{\text{Modified Assets}}$$
- $$\textit{Net Income Ratio} = \frac{\text{Income Before Taxes}}{\text{Total Revenues}}$$

The ratios for private, nonprofit institutions are:

- $$\textit{Primary Reserve Ratio} = \frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$$
- $$\textit{Equity Ratio} = \frac{\text{Modified Net Assets}}{\text{Modified Assets}}$$
- $$\textit{Net Income Ratio} = \frac{\text{Change in Unrestricted Net Assets}}{\text{Total Unrestricted Revenues}}$$

Reference:

- **34 CFR 668.172(c)(1)**

In calculating an institution's ratios, ED generally excludes:

- extraordinary gains or losses,
- income or losses from discontinued operations,
- prior-period adjustments,
- the cumulative effect of changes in accounting principles, *and*
- the effect of changes in accounting estimates.

Reference:

- **34 CFR 668.172(c)(2), (3), and (4)**

ED may include or exclude the effects of questionable accounting treatments, such as excessive capitalization of marketing costs.

ED also excludes:

- all unsecured or uncollateralized related-party receivables,
- all intangible assets defined as intangible according to generally accepted accounting principles (GAAP), *and*
- federal funds provided to an institution by ED as authorized by the HEA only if:
  - the auditor, in notes to the audited financial statement or as a separate attestation, discloses by name and **Catalog of Federal Domestic Assistance (CFDA)** number, the amount of HEA program funds reported as expenses in the Statement of Activities for the fiscal year covered by the audit or attestation *and*
  - the institution's composite score, as determined by ED, is less than 1.5 before the reported expenses arising from those HEA funds are excluded from the Primary Reserve Ratio.

Reference:
- 34 CFR 668.172(c)(5)

Reference:
- 34 CFR 668.171(b)(2)
- 34 CFR 668.173(a)

Standard #2

The institution must have sufficient cash reserves to make required refunds. An institution is considered to have sufficient cash reserves if it:

- satisfies the requirements of a public institution,
- demonstrates that it makes its refunds and returns in a timely manner, *or*
- is located in a state that has a tuition-recovery fund approved by ED and the institution contributes to that fund.

Reference:
- 34 CFR 668.173(b)(1) and (2)

An institution makes timely refunds (which includes payments from return of Title IV funds calculations and institutional refunds) if neither the auditor(s) who conducted the institution's compliance audits for the institution's two most recently completed fiscal years nor ED, nor a state, nor guaranty agency that conducted a review of the institution covering those fiscal years:

- found in the sample of student records that:
  - the institution made late refunds (including students who received or should have received a refund or repayment of unearned Title IV aid) to 5 percent or more of the students in that sample *or*
  - the institution made only one late refund or repayment of unearned Title IV aid to a student in that sample, *and*

- did not note for either of those fiscal years a material weakness or a reportable condition in the institution's report on internal controls that is related to refunds.

Reference:
- 34 CFR 668.173(c)

If an institution no longer satisfies a refund standard or is not making its refunds in a timely manner, the institution must submit an irrevocable letter of credit. The letter of credit must be:

- acceptable and payable to ED *and*
- equal to 25 percent of the total amount of Title IV refunds the institution made or should have made during its most recently completed fiscal year.

Reference:
- 34 CFR 668.173(c)(1) and (2)

The institution must submit this letter of credit to ED no later than:

- 30 days after the date the institution is required to submit its compliance audit to ED, if the finding is by the auditor who conducted that compliance audit *or*
- 30 days after the date ED or the state or guaranty agency that conducted a review of the institution notifies the institution of the finding.
    - The institution must also notify ED of that finding and of the state or guaranty agency that conducted a review of the institution.

Reference:
- 34 CFR 668.173(d)

To determine whether to approve a state's tuition-recovery fund, ED considers the extent to which that fund:

- provides refunds to both in-state and out-of-state students,
- allocates all refunds according to the order required under 34 CFR 668.22 (referred to as either treatment of Title IV funds when a student withdraws or return of Title IV funds), *and*
- provides a reliable mechanism for the state to replenish the fund if any claims arise that deplete the fund's assets.

Reference:
- 34 CFR 668.171(b)(3)

Standard #3

The institution must be current in its debt payments. An institution is not current in its debt payments if:

- it is in violation of any existing loan agreement at its fiscal-year end, as disclosed in a note to its audited financial statements or audit opinion, *or*
- it fails to make a payment according to existing debt obligations for more than 120 days *and* at least one creditor has filed suit to recover funds under those obligations.

Reference:
- 34 CFR 668.171(b)(4)

Standard #4

The institution must meet all of its financial obligations, including (but not limited to):

- refunds that it is required to make under its refund policy, return of Title IV funds, and payments of post-withdrawal disbursements, *and*
- repayments to ED for debts and liabilities arising from its participation in Title IV programs.

Even if an institution satisfies all of these standards, ED will not consider the school financially responsible if:

Reference:
- 34 CFR 668.171(d)(1) and (2)

1. the institution's audited financial statements contain an adverse, qualified (limited or modified in some way), or disclaimed audit opinion, or the auditor expresses doubts about the continued existence of the institution as a going concern; *(ED will disregard this reason if the qualified or disclaimed opinion does not have a significant bearing on the institution's financial condition.)*

OR

Reference:
- 34 CFR 668.174(b)(2)

2. the institution violated a Title IV program requirement or the persons or entities affiliated with the institution owe a liability for a violation of a Title IV program requirement. *(ED will disregard this reason if the liability in question is being repaid or the persons or entities owing the liability do not exercise substantial control over the institution.)*

Past Performance

An institution is not financially responsible if it:

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.174(a)(1)

- has been limited, suspended, terminated, or entered into a settlement agreement to resolve a limitation, suspension, or termination action initiated by ED (or by a guaranty agency as defined in 34 CFR Part 682 for the Federal Family Education Loan [FFEL] Program) within the preceding five years;

Reference:
- 34 CFR 668.174(a)(2)

- in either of its two most recent compliance audits had an audit finding or in a report issued by ED had a program review finding for its current fiscal year *or* in either of its preceding two fiscal years that resulted in the institution being required to repay an amount greater than 5 percent of the funds that the institution received under the Title IV programs during the year covered by that audit or program review;

Reference:
- 34 CFR 668.174(a)(3)

- has been cited during the preceding five years for failing to submit in a timely fashion acceptable compliance and financial statement audits required under 34 CFR 668.174 or acceptable audit reports required under individual Title IV program regulations; *or*

Reference:
- 34 CFR 668.174(a)(4)

- has failed to resolve satisfactorily any compliance problems identified in audit or program review reports based on a final decision issued by ED according to subpart G or H of the General Provisions.

Other Financial Responsibility Standards

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.175(a)

Some schools that are not financially responsible under the regular standards may begin participating or continue participating in Title IV programs by qualifying under an alternative standard. There are three types of alternative standards: **letter-of-credit alternative, zone alternative,** and **provisional certification alternative.** There are also specific financial responsibility standards for schools that change ownership and for guaranty agencies.

Letter-of-Credit Alternative

Reference:
- 34 CFR 668.175(b)

An institution that seeks to participate in Title IV programs for the first time, but is not financially responsible solely because its composite score (from its equity, primary reserve, and net income ratios) is less than 1.5, will qualify as a financially responsible institution by submitting an irrevocable letter of credit that is acceptable and payable to ED. ED will specify the amount, but regulations require the letter of credit to equal at least 50 percent of the amount of Title IV program funds that ED determines the institution will receive during its initial year of participation.

Reference:
- 34 CFR 668.175(c)

A participating institution that is not financially responsible because it does not satisfy one or more of the financial responsibility standards or has an unsatisfactory audit opinion can also qualify by using an irrevocable letter of credit. To qualify as financially responsible, the letter must be acceptable and payable to ED. ED will specify the amount, but regulations require the letter of credit to equal at least 50 percent of the Title IV program funds received by the institution during its most recently completed fiscal year.

A participating school that is not financially responsible due to past performance problems is not eligible for this letter-of-credit alternative.

Zone Alternative

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.175(d)

The zone alternative is an option for a participating institution only if the school is not financially responsible because its composite score (from its equity, primary reserve, and net-income ratios) is less than 1.5. If a participating school fails any other test of financial responsibility, the school cannot qualify for the zone alternative.

An institution may participate in Title IV programs under this alternative if its composite score is in the range from 1.0 to 1.4 (based on the audited financial statement for its most recently completed fiscal year) and it satisfies other standards of financial responsibility. ED may allow a school to participate under the zone alternative for no more than three consecutive years. An institution that qualifies under this alternative, whether for three years or just one or two years, cannot use the zone alternative again until the year after it achieves a composite score of at least 1.5.

To participate under the zone alternative, ED requires an institution to:

- use the cash monitoring or reimbursement payment method to make disbursements to eligible students and parents *and*
- provide timely information about any of the following six oversight and financial events:
    1. any adverse action, including a probation or similar action, taken against the institution by its accrediting agency;
    2. any event that causes the institution or a related entity to realize (convert to cash) any liability that was noted as a contingent liability in the institution's or related entity's most recent audited financial statement;
    3. any violation by the institution of any loan agreement;
    4. any failure of the institution to make a payment according to its debt obligations that results in a creditor filing suit to recover funds under those obligations;
    5. any withdrawal of owner's equity from the institution by any means, including declaring a dividend; *or*
    6. any extraordinary losses.

No later than 10 days after the event occurs, the school must provide information on the above events to ED by certified mail, fax, or other electronic transmission. If fax or other electronic transmission is used, the school is responsible for confirming that ED received a complete, legible copy of the transmission.

Under the zone alternative, the institution must, as a part of its compliance audit, require its auditor to express an opinion on the school's compliance with the requirements under the zone alternative, including the school's administration of the payment method under which it received and disbursed Title IV program funds.

ED may also require:

Reference:
- 34 CFR 668.23(a)(4)

- the institution's audited financial statement and compliance audit to be submitted earlier than specified in regulations (for example, instead of six months after the end of the school's fiscal year, ED could require the school to submit its audit as early as 60 days after the end of its fiscal year) *and*

- the institution to provide information about its current operations and future plans.

Provisional Certification Alternative

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.175(f)

The provisional certification *alternative* differs from the standard provisional certification for a school that is new to the Title IV program the first year it participates in Title IV programs. The provisional certification alternative is for participating institutions that cannot qualify, or choose not to qualify, under any of the other alternatives. Additionally, a school may be granted provisional certification if it allowed its certification to lapse, had significant audit or program review findings, or owes outstanding liabilities to ED.

Reference:
- 34 CFR 668.171 (b) and (d)

Reference:
- 34 CFR 668.174(a)

ED, at its discretion, may allow provisional certification for an institution that is not financially responsible because:

- it does not satisfy the financial responsibility standards or has an unsatisfactory audit opinion *or*

- its past performance shows that it violated a Title IV program requirement, but it has satisfied or resolved the violation.

Under this alternative, an institution receives an initial annual provisional certification, which cannot exceed three consecutive fiscal years. An initial provisional certification carries the following three main conditions:

Reference:
- 34 CFR 668.171 (b)(3) and (b)(4)

1. The institution must submit an irrevocable letter of credit that is acceptable and payable to ED. ED decides on the amount, but it cannot be less than 10 percent of the Title IV program funds received by the institution during its most recently completed fiscal year.

2. The institution must demonstrate it was current on its debt payments and has met all of its financial obligations for its two most recent fiscal years.

Reference:
- 34 CFR 668.175(d)(2) and (d)(3)

3. The institution must comply with all of the provisions of the zone alternative.

When the initial provisional certification ends, if the institution is still not financially responsible, ED may again permit it to participate under a provisional certification alternative. However, ED may impose one or both of the following additional conditions:

1. ED may require the institution, or one or more persons or entities that exercise substantial control over it, to submit financial guarantees for an amount determined by ED to be sufficient to satisfy any potential liabilities arising from the institution's participation in Title IV programs.
2. ED may require one or more persons or entities that exercise substantial control over the institution to be jointly or severally liable for any liabilities arising from the institution's participation in Title IV programs.

Provisional Certification Alternative for Institutions Controlled by Persons or Entities Owing Liabilities

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.175(g)

An institution may be deemed not financially responsible because the persons or entities that exercise substantial control over the institution owe a liability for a violation of a Title IV program requirement.

In such cases, ED may allow the school to participate under a provisional certification alternative only on three conditions:

1. Either the persons or entities that exercise substantial control repay or enter into an agreement with ED to repay the applicable portion of that liability, or the institution assumes that liability and repays or enters into an agreement with ED to repay that liability.
2. The institution must satisfy the standards of financial responsibility and demonstrate that it is current on its debt payments and has met all of its financial obligations for its two most recent fiscal years.
3. The institution must submit an irrevocable letter of credit that is acceptable and payable to ED. ED decides on the amount, but it cannot be less than 10 percent of the Title IV program funds received by the institution during its most recently completed fiscal year.

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

Reference:
- 34 CFR 668.175(f)(3)

ED also requires the institution to comply with the provisions under the zone alternative. Furthermore:

1. ED may require the institution, or one or more persons or entities that exercise substantial control over the institution, or both, to submit financial guarantees for an amount determined by ED to be sufficient to satisfy any potential liabilities arising from the institution's participation in Title IV programs; *and*
2. ED may require one or more of the persons or entities that exercise substantial control over the institution to be jointly or severally liable for any liabilities arising from the institution's participation in Title IV programs.

Schools That Change Ownership

A school loses eligibility to award Title IV funds when it undergoes a change in ownership that results in a change of control. If the school wants to regain its eligibility, it must reapply under the new ownership. If a school submits a materially complete application within 10 days of the date of the change, the regulations now provide that ED (at its discretion) may offer a temporary PPA that extends the previous PPA.

Reference:
- 34 CFR 668.15

New

Reference:
- 34 CFR 668.15(b)(15)(ii) (A) and (B)

A newly eligible institution or an institution that is undergoing a change of ownership is required to implement a default management plan for two years unless:

- the school's branch campus or main campus has a cohort default rate of 10 percent or less *and*
- the new owner does not own, and has not owned, any other school with a cohort default rate in excess of 10 percent.

Reference:
- HEA, Section 487
- 34 CFR 668.14(b)(15)

The checklist on the next page lists the general rules that a school with a change in ownership must follow to be considered financially responsible.

To be considered financially responsible, a school that changes ownership must...

- ☐ provide the services described in its official publications and statements
- ☐ provide the administrative resources necessary to comply with requirements for participating in Title IV programs
- ☐ meet all of its financial obligations, including paying required institutional refunds (including post-withdrawal disbursements) to students and all debts (including the return of Title IV funds payments) to ED
- ☐ be current in paying any institutional debts
- ☐ post an irrevocable letter of credit, acceptable and payable to ED, equal to 25 percent of the total amount of Title IV program refunds paid by the school in the previous fiscal year
- ☐ not have as part of its most recent audit report a statement expressing substantial doubt of the school's ability to continue as a "going concern" or a disclaimed or adverse opinion by the accountant
- ☐ not have an individual who exercises significant control over the school and owes a liability for a Title IV program violation unless the school and the individual owing the liability meet certain regulatory provisions
- ☐ not have been limited, suspended, or terminated from a Title IV program or not have entered into a settlement agreement to resolve a limitation, suspension, or termination within the preceding five years
- ☐ not have been required to repay an amount greater than 5 percent of Title IV funds received for an award year as a result of a finding during its two most recent program reviews or audits
- ☐ not have been cited during the preceding five years for failure to submit acceptable audit reports in a timely manner
- ☐ not have failed to satisfactorily resolve any compliance problems identified during a program review or audit

References:

- CFR 668.15(a)(3)
- CFR 668.15(d)(1)C

2.4 Administrative Capability

Reference:
- 34 CFR 668.16

In addition to demonstrating that it is financially responsible, a school must be administratively capable of participating in Title IV programs. Using a school's audited financial statements and other information, ED evaluates the school's administrative capability according to the standards contained in regulations. (See the checklist on the next page for specifics.)

Reference:
- 34 CFR 668.16(m)(2)

If ED finds that a school is not administratively capable based solely on its cohort default rate(s) for the Direct Loan Program, FFEL Program, and/or Federal Perkins Loan Program, ED may provisionally certify the school's participation in Title IV programs.

To be considered administratively capable, a school must...

- ☐ administer Title IV programs according to all Title IV requirements
- ☐ use an adequate number of qualified persons to administer Title IV programs in which the school participates
- ☐ designate a capable individual to be responsible for administering all Title IV programs
- ☐ communicate to the individual responsible for administering Title IV programs all information that bears on students' Title IV eligibility
- ☐ have written procedures for administering Title IV aid programs
- ☐ administer Title IV programs with adequate checks and balances in its system of internal controls
- ☐ separate the functions of authorizing Title IV payments and disbursing and/or delivering Title IV funds so no one person or office has responsibilities for both actions
- ☐ establish, maintain, and retain required Title IV records
- ☐ establish, publish, and apply reasonable standards for measuring students' satisfactory academic progress (SAP)
- ☐ develop an adequate system for resolving discrepancies in information related to students' applications for Title IV funds
- ☐ have procedures that ensure frequent periodic reconciliation of fiscal office and financial aid office award data
- ☐ have a process to notify ED within ten days about important changes, such as changes in its name, address, or ownership
- ☐ provide adequate financial aid counseling to Title IV applicants
- ☐ refer any credible information about Title IV fraud, abuse, or misrepresentation to ED's Office of Inspector General (OIG)
- ☐ submit required Title IV reports in a timely manner, including fiscal reports, financial statements, and reconciliations
- ☐ not demonstrate any significant problems in its ability to administer Title IV programs
- ☐ not have as a principal or affiliate of the school any individual who is/has been debarred or suspended or engaged in any activity that would be cause for debarment or suspension
- ☐ not have had more than 33 percent[1] of its undergraduate regular students[2] withdraw during the latest completed award year (for a school seeking initial participation in a Title IV program)
- ☐ have a cohort default rate of less than 25 percent under the FFEL Program/Direct Loan Program for each of the three most recent fiscal years and that is equal to or less than 15 percent under the Federal Perkins Loan Program
- ☐ not appear to lack the ability to administer Title IV programs competently
- ☐ participate in electronic processes that ED provides at no substantial charge and identifies through a notice published in the *Federal Register*
- ☐ have procedures that ensure that its requests for federal cash do not exceed the amount of the funds it needs immediately to make aid disbursements to students
- ☐ implement procedures for the return of Title IV funds
- ☐ perform annual compliance audits

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1. Students who withdraw and receive a 100 percent refund of tuition and fees are not included in the 33 percent.
2. A regular student is a person who is enrolled or accepted for enrollment at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution. See 34 CFR 600.2.

Reference:
- 34 CFR 668.16(c)(2)
- See Section 5.4 of this book for further details on the separation of functions.

Separation of Functions

Federal regulations require an institution to divide the functions of authorizing payments and disbursing funds so that no single office or individual has responsibility for both functions for any student receiving Title IV funds. Even at very small institutions, no one person may be allowed to authorize payment of Title IV funds *and* to disburse those funds.

> ***A school must ensure that authorizing payment and disbursing payment for any student receiving ANY Title IV student aid are carried out by at LEAST two organizationally independent individuals. These individuals cannot be members of the same family, and they cannot together exercise substantial control over the school.***

Typically, the financial aid office awards Title IV funds and authorizes payment of those funds to students. The fiscal office requests funds from ED's Grant Administration and Payment System (GAPS) and disburses the funds by crediting student accounts, delivering checks to students, or delivering cash to students. The person who awards Title IV funds is not allowed to be authorized by the institution to sign checks or deliver them to students, nor may he or she be permitted to deliver cash to students or to credit student accounts with Title IV aid to cover allowable costs (such as tuition, fees, books, supplies, or other authorized charges).

As mentioned earlier, electronic processes enhance accuracy and efficiency. They also, however, can blur separation of functions so the awarding and disbursement occur virtually simultaneously. For example:

- In the advance payment method* under the Recipient Financial Management System (RFMS), an origination record, as well as a disbursement record, must be created for each student eligible to receive a Federal Pell Grant. The financial aid office authorizes the payment (origination record and disbursement record) and the business office requests the funds from GAPS and disburses those funds to the student.
- In the Direct Loan Program, for the student to be eligible for a disbursement of a Direct Loan, a promissory note must be on file and an origination record and disbursement record must be created. Once the origination record is created, the financial aid office receives a disbursement list. The financial aid office then authorizes the loan to be disbursed and the business office requests the funds from GAPS and disburses the funds to the student's school account.**

***Under the just-in-time payment method, schools handle the authorization and disbursement process differently. The disbursement record itself causes RFMS to deposit funds in the school's bank account.**

****Schools that use student accounts must disburse Direct Loan funds directly to the student's school account to pay for allowable charges. See Section 4.7 of this book for more information.**

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Reference:
- See Appendix D for more information on Case Management Teams.

Schools must set up controls to prevent an individual or an office from having the authority to perform both functions. For guidance on the separation of functions, contact the ED Case Management and Oversight Team that serves your school's state.

> ***Because electronic processes can blur separation of functions, a school must be careful to create controls that ensure separation of authorizing Title IV payments and disbursing Title IV payments.***

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- *Federal Register*, September 19, 1997
- 34 CFR 668.16(o)

Required Electronic Processes

To be considered administratively capable to participate in Title IV programs, an institution must use electronic processes to communicate with ED systems. ED:

- provides these at no substantial charge to the school *and*
- identifies them through a notice published in the *Federal Register*.

ED requires all schools to use certain electronic processes to participate in and administer Title IV programs. A list of the *required* minimum technical specifications is on page 29.*

New

Beginning with the 2002-03 processing cycle (January 1, 2002), schools using a PC platform to participate in and administer Title IV programs must be prepared to process ED data using a 32-bit operating system:

- Microsoft Windows 98,
- Microsoft Windows NT 4.0, *or*
- Microsoft Windows 2000.

ED's electronic services no longer support the disk operating system (DOS) or any earlier versions of Windows.

*For optimal configuration specifications, refer to EDExpress Technical Reference.

Technical Specifications

Equipment	Minimum REQUIRED Configuration by January 1, 2002 (for the 2002-03 processing cycle)
Hardware	♦ IBM or fully IBM-compatible PC ♦ 800 MHz Pentium processor or comparable ♦ 128 MB RAM or more ♦ 20 GB hard drive, with at least 500 MB available hard-disk space ♦ 56K modem (that meets or is upgradeable to v.90) ♦ 3.5-inch/1.44 MB diskette drive ♦ Microsoft-compatible mouse ♦ SVGA monitor (capable of 800 X 600 resolution [small fonts] or higher) ♦ Windows 95 keyboard ♦ Speakers ♦ Laser printer capable of printing on standard paper (8.5-inch x 11-inch) ♦ 24x CD-ROM drive or higher, read/write with sound board
Software	♦ 32-bit operating system ♦ Microsoft Windows 98, Microsoft Windows NT 4.0, or Microsoft Windows 2000 ♦ Supported network: Windows NT ♦ Internet service provider (ISP)[1] **Portal Browser Requirements** ♦ Internet Explorer v4.01 or higher ♦ Netscape Navigator v4.73 or above **Other Browser Requirements** ♦ Internet Explorer v4.01 or higher ♦ Netscape Navigator v4.0 or above
Phone Line	♦ Dedicated phone line
Diskettes	♦ 3.5-inch, high-density, double-sided diskettes

[1] An Internet service provider (ISP) is needed to access the Information for Financial Aid Professionals (IFAP) Web site, RFMS, GAPS, NSLDS, and to submit the Application for Approval to Participate in Federal Student Financial Aid Programs (initial certification, recertification, reinstatement, and changes).

Note: For optimal configuration specifications, refer to the EDExpress Technical Reference.

Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

Reference:
http://sfablueprint.ed.gov

Modernization Blueprint

On August 1, 1995, the U.S. Secretary of Education requested ED and its partners in the postsecondary education community to design, integrate, and develop a comprehensive financial aid delivery system. In response to this challenge, government, education, students, and business leaders initiated the **Modernization Blueprint.**

The Modernization Blueprint is a collaborative effort by members of the postsecondary education community (including ED, schools, lenders, servicers, guarantors, professional organizations, and state agencies) to define and implement a customer-focused system to support postsecondary education, as well as to improve customer access to information and funding for education beyond high school. Updates to the Modernization Blueprint are released quarterly on ED's Modernization Blueprint Web site and incorporate the comments and suggestions of the postsecondary education community.

The goals of the Modernization Blueprint include providing system users with a single point of interface to the more streamlined processes associated with postsecondary education, while simultaneously reducing complexity, redundancy and cost.

The Modernization Blueprint has six major functional areas:

1. sharing information
2. applying for and processing federal financial aid
3. disbursing federal financial aid
4. tracking and reporting enrollment
5. handling repayments of federal financial aid
6. providing program management and oversight

When fully implemented, the Modernization Blueprint will assist students and their families in planning for postsecondary education, choosing among postsecondary schools, and financing their choices.

Access America for Students

The Access America for Students (AAFS) Pilot Program, initiated by ED's Office of Student Financial Assistance, was used to test key concepts for improving the delivery of student aid and was incorporated into the Modernization Blueprint. In particular, AAFS tested three pilot program components:

- Commercial Student Account/Account Manager

- Internet Web Portal
- Electronic ID

Through partnership with federal agencies and the postsecondary education community, the AAFS pilot successfully met its objectives and has provided SFA with valuable information concerning the use of commercial transaction processors, the integration of data from legacy systems, and the use of Web portals to improve access to information and services. Key pilot components have graduated to become mainstream efforts in the design and development of SFA's future systems.

2.5 Student Consumer Information

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668, Subpart D

Regulations specify published information that institutions are required to make available to currently enrolled students, prospective students, and employees. These regulations also allow ED to fine a school, or to limit, suspend, or terminate the Title IV program participation of any school that substantially misrepresents the nature of its educational program, financial charges, or the employability of its graduates.

Providing this consumer information is an area of responsibility that is shared among institutional offices. In general, the financial aid office and business office share primary responsibility for providing this information, but other offices must be involved as well. For example, the Campus Security Act requires schools to publish, on an annual basis, the occurrence of certain types of crime. If schools do not comply with this and other student consumer information requirements, they may lose their eligibility to participate in Title IV programs.

Financial Aid Information

Reference:
- 34 CFR 668.42

All institutions are required to provide information about:

- all financial aid programs available to students, the amounts of aid available from each source, and the required application procedures;
- how student eligibility for aid is determined;
- how the school distributes aid among students;
- the rights and responsibilities of financial aid recipients;
- how and when financial aid will be disbursed;
- the terms and conditions of any employment offered as financial aid;
- deferment and forbearance options for its loan borrowers;

- the terms of, schedules for, and necessity of repaying loans;
- the criteria for measuring students' satisfactory academic progress and the procedures students must follow to regain eligibility if they fail to meet these criteria;
- information on preventing drug and alcohol abuse;

Reference:
- 34 CFR 668.14(b)(14)
- 34 CFR 668.43(a)(9)

- information about the availability of federal financial aid funds for study-abroad programs; *and*
- information on availability of community-service FWS jobs.

Reference:
- 34 CFR 668.43

General Information

Schools are also required to provide general information about themselves. This information includes matters related to fiscal operations, such as:

- licensing and accreditation;
- costs of attendance, including tuition, fees, room and board, transportation, books and supplies (which can include the cost of buying or renting a computer), loan fees, and additional costs associated with certain programs of study;
- all requirements for officially withdrawing from school;
- its institutional refund policy (if the school is required by its state agency or its accrediting agency to provide that information);
- the policy on the return of Title IV funds; *and*
- how the school returns Title IV funds to program accounts.

Reference:
- 34 CFR 668.44

Availability of Personnel

Federal regulations require that schools make personnel available during normal operating hours to help current and prospective students obtain consumer information.

Reference:
- 34 CFR 668.14(b)(10)

Job-Placement Claims

A school that makes marketing claims about job-placement rates to recruit students must disclose information supporting these claims to prospective students at or before the time they apply. This means that a school must provide detailed statistics and other information needed to substantiate the truthfulness of its claims. If a school advertises job-placement rates to attract enrollment, it must inform prospective students of the state licensing requirements for the jobs for which the students seek training.

Student Right-To-Know Provisions

Reference:
- 34 CFR 668.45

All schools participating in Title IV programs are subject to the disclosure requirements of the **Student Right-To-Know (SRK) Act**. SRK requires a school to make available its completion or graduation rates by July 1 of each year. A school must provide the information to enrolled and prospective students on request.

- In the case of a prospective student, the school must provide information before the student enters into a financial obligation.

A school also must provide the information to ED through the annual National Center for Education Statistics (NCES) graduation-rate survey.

By July 1 of each year, SRK requires a school that awards athletically related student aid to report to ED various types of information concerning students who receive athletic aid, including their completion rate or graduation rate. SRK also requires a school to provide the information to a prospective student-athlete and his or her parents, high school coach, and guidance counselor at the time the school offers the prospective student-athlete athletically related student aid.

Equity in Athletics Provisions

Reference:
- 34 CFR 668.47

The **Equity in Athletics Disclosure Act (EADA)** is designed to make students, prospective students, and the interested public aware of:

- the athletic opportunities available to a school's male and female students *and*
- the financial resources and personnel the school dedicates to its men's and women's teams.

EADA applies to any coeducational institution of higher education that participates in a Title IV student aid program and has an intercollegiate athletic program. According to EADA,* a school that fits this category must prepare an annual report that includes such information as:

- the number of male and female full-time undergraduate students that attend the institution,
- a list of the school's varsity teams,
- the number of participants on each team,
- the number of coaches for each team,

***The reauthorization of the HEA in 1998 moved certain athletically related expense and revenue disclosure requirements that had been in the section of the HEA dealing with a school's Program Participation Agreement to EADA. These amendments also repealed the audit requirement for those disclosures.**

- various breakdowns of athletically related expenses and revenues, *and*
- the number of students receiving athletically related financial aid and the amount of that aid.

Reference:

- 34 CFR 668.41(g)

A school must make its EADA report available on request to enrolled students, prospective students, and the public by October 15 of each year, and the school also must submit the report to ED within 15 days of making it available to the public.

Reference:

- HEA, Section 485(f)
- 34 CFR 668.46

Campus Security Provisions

The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (formerly the **Campus Security Act** of 1990) requires schools to publish specific crime-related information on an annual basis. The report includes information about a school's security policies and procedures, crime-prevention programs, and campus-crime statistics. The school must distribute this information to all current students and employees and, on request, to prospective students and employees. See Appendix A of this publication for definition of "campus."

Schools also must provide timely warning to the campus community of any occurrences of crimes that are reported to the campus-security authorities or local police agencies and that are considered to represent a continuing threat to students and/or employees. The crimes to be reported are:

- murder and negligent manslaughter,
- forcible and nonforcible sex offenses,
- robbery,
- aggravated assault,
- burglary,
- motor-vehicle theft,
- arson, *and*
- arrests or persons referred for campus disciplinary action for liquor law violations, drug-related violations, and weapons possession.

Campus-crime statistics must be categorized on the basis of where a criminal offense occurs:

- on campus,
- in or on a non-campus building or property,

- on public property, *and*
- in dormitories or other residential facilities for students on campus.

Schools must also maintain statistics by "category of prejudice" for any hate crimes involving bodily injury. That is, crimes to any person in which the victim is intentionally selected because of actual or perceived race, gender, religion, sexual orientation, ethnicity, or disability.

***Before October 1998, schools submitted these statistics to ED only when ED requested them.**

These statistics are reported annually* to ED using the Internet. Schools sign on to an ED-designated Web site and enter the appropriate information online. Notification of the URL and deadlines for submitting data are published each year in a "Dear Partner" letter in the spring. ED makes copies of the statistics available to the public.

New

Reference:
- DCL GEN-00-11

The provisions of the **Family Educational Rights and Privacy Act (FERPA)** are not in conflict with and do not prohibit a school from complying with the requirements of the campus-security regulations.

Reference:
- 34 CFR 668.46(f)

Campus-Crime Log

Schools that maintain a campus police or campus security department must maintain written, easily understood daily logs of crimes reported to the campus police or security department. These daily logs:

- must include the nature, date, time, and general location of the crime *and*
- the disposition of the complaint, if known.

Entries to daily logs must be made within two business days of when the information is reported to the campus police or security department. The exception is when disclosing the information is prohibited by law or it would jeopardize the confidentiality of the victim.

Schools must make the crime log for the most recent 60-day period open to public inspection during normal business hours. Any portion of the log that is older than 60 days must be produced within two business days on request.

Daily logs must be open to public inspection within two business days of the report except where release of the information would:

- jeopardize an ongoing criminal investigation or the safety of an individual,
- cause a suspect to flee or evade detection, *or*
- result in the destruction of evidence.

Reference:
- 34 CFR 668.16(b)(4)

2.6 Institutional Policies and Procedures Manual

The law requires schools to have written policies and procedures for administering Title IV programs. The policies and procedures must include but are not limited to:

- student consumer information,
- verification of information reported on a student's financial aid application,
- satisfactory academic progress,
- return of Title IV funds, *and*
- loan disclosure statements and fact sheets (this requirement does not apply to Direct Loans).

Advantages of Policies and Procedures Manual

Although the law does not require schools to maintain written policies and procedures in a manual, schools generally find that a manual helps them manage financial aid programs more effectively, efficiently, and consistently. A comprehensive manual can:

- document how and when the school establishes specific policies and procedures,
- provide a single location for the school's policies and procedures, *and*
- serve as a reference guide and training resource.

A policies and procedures manual is also an extremely valuable compilation to have on hand when a school undergoes a compliance audit or program review.

Many institutions have business procedures manuals to cover fiscal matters, such as accounting, budgeting, payroll, personnel, and the like. Due to the broad scope and complexity of financial aid programs, it is also wise to develop a separate financial aid policies and procedures manual. This manual should address policies and procedures that affect all aspects of financial aid administration from the perspectives of both the business office and the financial aid office.

Suggested Topics for Policies and Procedures Manual

In addition to the required written policies listed earlier in this section, a comprehensive policies and procedures manual would include:

- an overview of the institution itself, its mission, its students, and its philosophies;

- descriptions of all federal, state, and institutional financial aid programs, including application procedures, award amounts, and eligibility requirements;
- descriptions of the organizational structures of the business office and the financial aid office;
- a statement of the institution's policy for awarding financial aid (commonly referred to as its "packaging policy");
- procedures for processing financial aid applications;
- procedures used in recordkeeping and reporting;
- a calendar of aid-related activities, including dates and deadlines for students;
- procedures for evaluating business office and financial aid office operations; *and*
- copies of forms, applications, standard correspondence, and other printed materials routinely used by the financial aid office and business office and/or distributed to students.

2.7 Experimental Sites Initiative

For schools designated as "**experimental sites**," ED has approved exemptions to a variety of requirements. This initiative enables ED to work collaboratively with schools to find possible ways to reduce the cost, complexity, and burden of administering the Title IV programs to schools and their students. If a school wants to "test" what it considers a better way to administer certain student financial aid statutory and regulatory requirements, it submits a proposal to ED. If approved, the school is exempt from specific requirements while conducting the experiment. More than 135 schools have been designated as experimental sites.

Reference:

- **HEA Section 487A(b)**
- ***Student Financial Aid Handbook, Volume 2: Institutional Eligibility***

Experimental sites allow schools spend more time helping to:

- improve cash flow for students,
- expedite financial aid delivery, *and*
- improve student service, allowing more time for financial aid counseling and less time on unnecessary paperwork.

The outcome of this experience will help improve Title IV regulations and requirements.

*Schools exempt from this requirement because of low cohort-default rates are not considered experimental sites.

Thirteen areas of experimentation have been approved since the 1995-96 award year. The areas that pertain to fiscal administration are:

- entrance and exit loan counseling,
- multiple disbursement for single-term loans,*
- 30-day delay in loan disbursements for first-time, first-year borrowers,*
- loan fees in cost of attendance,
- loan proration for graduating borrowers,
- FWS time records and payment,
- credit Title IV funds to prior term charges and institutional charges, *and*
- overaward tolerance.

Schools that are interested in participating in the Experimental Sites Initiative should contact ED's Performance Improvement and Procedures Division at 202-708-8197.

2.8 Evaluating Your Management of Student Financial Aid Programs

Schools should evaluate the way they administer Title IV programs on a regular basis. This is a priority item for ED, as well as for the business officer and financial aid administrators. The starting point for strengthening a school's administration of Title IV aid is to evaluate and analyze existing procedures, practices, and polices to determine where improvements are needed.

Evaluating Title IV administration serves many purposes, including:

- ensuring that the school is complying with statutory and regulatory requirements *and*
- identifying school policies and procedures that need updating or revising.

All schools that participate in Title IV financial aid programs must ensure that their student aid operations, procedures, and policies remain in compliance with statutory and regulatory requirements. Failing to do so may have serious consequences:

- *Institutional liabilities*—The school will be required to repay any misused funds to ED.
- *Inequitable student aid distribution*—Students at the school may be awarded less aid or more aid than they are entitled to receive.
- *Possible fines, limitation, suspension, or termination*—If audits and program reviews identify serious instances of noncompliance, inappropriate use of funds, or fraud, the school may be subject to emergency action by ED

and may ultimately lose its eligibility to take part in federal student aid programs.

- *Debarment*—Individuals found responsible for fraud or serious misuse of federal funds may be barred from involvement in *any* federal programs.

Evaluation Methods

The primary methods for evaluating an institution's management of Title IV programs are:

- self-evaluation (Management Assessment/Management Enhancement) *and*
- peer evaluation.

Self-Evaluation (Management Assessment/Management Enhancement)

The Management Assessment is the starting point for any institution's quality improvement initiatives. The Assessment can be used to evaluate and analyze an institution's existing policies, procedures, and practices to determine where improvements are needed. The benefit from this process is that the institution assesses its own systems and identifies areas that need improvement. Institutions are encouraged to use the Management Assessment and Management Enhancement activities on an ongoing basis to attain compliance and to lay the foundation for continuous improvement.

The Management Assessment consists of a comprehensive set of activities and questions designed to help institutions assess current operations in eight major areas in the delivery of student aid. Some of the assessments may require an institution to select a few files to review in order to complete the exercises. Each assessment contains the major functional requirements, as well as suggested assessment steps. The assessments give an institution the opportunity to take a "snapshot" of its current Title IV management. The end result is a better understanding of not only what the requirements are, but how well they are being met at a particular institution or what improvements need to be made in order to meet the requirements as outlined in the regulations. The areas covered include institutional participation, fiscal management, recipient eligibility, award requirements, disbursement, reporting and reconciliation, automation, and other administrative practices. Further, at the end of each section, there are links to management enhancements for areas that need improvement. Since financial aid is an institutional responsibility, some assessments may need to involve several offices on campus (financial aid, business office, bursar) to complete the assessment.

Reference:
- http://ed.gov/offices/OSFAP/QAP

The Management Assessment Tools, developed by ED's Quality Assurance Program, are available to all schools. ED encourages all schools to use the Management Assessment/Management Enhancement Tools which are available on the following Web site: http://www.ed.gov/offices/OSFAP/QAP.

Reference:
- http://www.nasfaa.org

The *Self-Evaluation Guide*, published by the National Association of Student Financial Aid Administrators (NASFAA), can help schools develop comprehensive evaluation systems. This publication provides a step-by-step outline for reviewing financial aid and fiscal policies, procedures, and practices.

Peer Evaluation

Peer evaluation is another technique for obtaining an independent, objective review of an institution's administration of Title IV programs. The peer evaluator can be a financial aid administrator or fiscal officer from another school or a financial aid consultant.

During a peer evaluation, the school obtains an objective assessment of its operation from someone at a similar institution. The person performing the evaluation also benefits by getting a first hand look at how another school manages financial aid programs. Comparing notes and exchanging ideas are methods by which colleagues in financial aid offices and business offices can share their expertise for the good of all.

Other Opportunities for Schools to Advance Quality

Quality Assurance (QA) Program/Quality Analysis Tool (QAT)

Participation in the QA Program allows schools to advance quality in their verification initiatives. Participating QA schools have been given the flexibility to establish their own customized institutional verification program and have been given the regulatory waivers to make that happen. Institutions seeking to participate in any of these areas of flexibility which comprise the Assurance Program (verification, entrance and exit counseling, processing, and disbursing aid) must apply, be accepted, and return a signed amendment to their Title IV Program Participation Agreement.

The **Quality Analysis Tool (QAT)** is a software product that allows schools to determine what student reported items were misreported on the FAFSA and the impact it had on their Expected Family Contribution and Federal Pell Grant eligibility for their entire aid population. Schools will be able to use this information to assist students in the completion of their FAFSAs to ensure they are receiving the aid for which they are entitled. It will provide supportable data that will assist schools in providing better and more accurate service to students. In addition, if a school participates in the Quality Assurance Program, it can use this data to design a meaningful institutional verification process.

The QAT is a software product developed for QA institutions. This product will be made available to all Title IV institutions after it is pilot-tested by QA institutions and needed enhancements are made.

Schools interested in participating in the QA Program should contact ED's QA Team in the Performance Improvement and Procedures Divisions at 202-708-8197.

Direct Loan Quality Assurance Component

It is important to note that the quality assurance (QA) component of the Direct Loan Program is different from the Title IV QA Program. Quality assurance is required for all schools participating in the Direct Loan Program. ED assists these schools in conducting QA activities by providing tools such as the *Direct Loan Quality Assurance Planning Guide (QA Planning Guide)* and the "Tools" submenu in EDExpress. Direct Loan Schools have to maintain documentation about their quality assurance activities in a QA master file. There is no QA reporting requirement.

2.9 Return of Title IV Funds

The Higher Education Amendments of 1998 changed the refund and repayment provisions for Title IV programs. In addition to renaming the process "treatment of Title IV funds when a student withdraws," (it is also known as the **"return of Title IV funds"**), the amendments also revised how to calculate both the earned and unearned amount of Title IV when a student does not complete a period of enrollment or payment period. This section of *The Blue Book* will concentrate on the institutional responsibilities of returning Title IV funds from the fiscal operations standpoint.

New

Reference:

- HEA, Section 484B
- 34 CFR 668.22
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- DCL GEN-00-24

Full implementation of the provisions was required as of October 7, 2000, although institutions could choose to implement the full set of provisions as of October 7, 1998, the date the amendments were enacted.

A school must:

- have established a specific date (no later than October 7, 2000) to implement the new provisions,
- upon implementation, have implemented all of the provisions in their entirety (including the November 1, 1999 final regulations when they were published),
- have applied the provisions to all students (not on a student-by-student basis),
- have advised all currently enrolled and prospective students of the new provisions, *and*
- not have reverted back to the old provisions.

Overview of Return of Title IV Funds

When students who were disbursed Title IV aid or could have been disbursed Title IV aid withdraw from school during a payment period or period of enrollment*, they are eligible to receive aid for the percentage of the payment period or period of enrollment that they attended school.** When a student withdraws, the school is required to determine how much Title IV aid the student "earned." If a student has **"unearned" aid** because he or she was disbursed more aid than he or she earned, it must be returned. If a student has **"earned aid"** that he or she has not received, he or she is eligible to receive those funds as a post-withdrawal disbursement.

Note that the return of Title IV funds calculations are done either on a payment period or period of enrollment basis, rather than the "period for which he or she was charged," which was the period used for calculating refunds.

After the school completes the calculation for the treatment of Title IV funds for a student who withdraws, the school then must:

- return any amount of disbursed, unearned Title IV funds to the appropriate Title IV program, and follow the procedures for handling any grant overpayments due from the student, including notifying the student of the overpayment; *and/or*

- initiate, offer, and complete a post-withdrawal disbursement*** of any undisbursed, earned funds to the student, including the school's notification to the student of a post-withdrawal disbursement.

General Definitions****

- *Title IV recipient*—a student who has actually received Title IV funds *or* has met the conditions that entitle the student to a late disbursement.

- *Payment period*—the definition of a "payment period" is the same definition used for other Title IV purposes and found in 34 CFR 668.4. (For example, for an eligible program that has academic terms and measures progress in credit hours, the payment period is the academic term.)

- *Period of enrollment*—the academic period established by the school for which institutional charges are generally assessed (that is, the length of the student's program or academic year).

- *Title IV aid disbursed*—generally, funds that the school credits a student's account with or pays a student or parent directly with:

    - Title IV funds received from ED,

    - FFEL funds received from a lender, *or*

***The period used in the calculation of the period of enrollment for which the student was charged under refunds of Title IV aid was changed to payment period or period of enrollment under return of Title IV funds.**

**** If the student never actually began attending the school, any Title IV funds disbursed must be handled according to the requirements of 34 CFR 668.21, 682.604 (d)(3) or (4) and 685.303 (b)(3), as applicable.**

*****A post-withdrawal disbursement is not considered an overpayment.**

******These definitions apply only to calculating return of Title IV funds, unless otherwise noted.**

Reference:

- 34 CFR 668.164 (g)(2)

    - institutional funds labeled as Title IV funds in advance of receiving actual Title IV funds.

- *Title IV aid that could have been disbursed*—funds for which the student has met the conditions of a late disbursement; it does not include Title IV funds the student was not otherwise eligible for at the time he or she withdrew.

- *Earned aid*—the amount of aid, determined through calculating return of Title IV funds, that the student is *eligible* to receive. This amount may or may not include amounts that are already disbursed.

- *Unearned aid*—the amount of aid, determined through calculating return of Title IV funds, that the student has not earned. This amount may or may not include amounts that are already disbursed.

- *Withdrawal date*—the date the student stopped attending the school. This date is determined by the institution according to the regulatory requirements for defining a withdrawal date.*

***Determining withdrawal dates differs depending on whether or not the school is required to take attendance. For additional guidance, see the *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*.**

Institutional Responsibilities

After a student fails to complete the payment period or period of enrollment for which the student received Title IV funds, schools are required to determine whether the student has been disbursed unearned Title IV funds that must be returned or has not received all the Title IV aid he or she earned. A school determines this by completing a return of Title IV funds calculation.

Return of Title IV Funds Calculation**

Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

****Examples of the calculation appear in the *Student Financial Aid Handbook*.**

ED has developed worksheets to help schools calculate the return of Title IV funds. There are separate worksheets for credit-hour programs and clock-hour programs. The calculation is divided into eight steps:

- Step 1 – Student's Title IV Aid Information: This step collects information about the student's Title IV grant and loan assistance. It consists of two columns: amount disbursed and net amount that could have been disbursed (for loans, the net amount of the disbursement issued). The calculation requires the school to separately determine the totals of the Title IV aid disbursed plus Title IV aid that could have been disbursed for the payment period or enrollment period.

- Step 2 – Percentage of Title IV Aid Earned: Using the student's withdrawal date, the school calculates the percentage of the payment period or period of enrollment that the student completed (which is the same as the percentage of Title IV aid earned).

Note: The calculation in Step 2 varies based on whether the program is a clock or credit hour program. For a program that is measured in clock hours, the percentage of Title IV aid is determined based on completed clock hours or, in some cases, scheduled clock hours at the time the student withdrew. For a program that is measured in credit hours, the percentage of Title IV aid is based on completed calendar days. For credit hour programs, scheduled breaks of at least five consecutive days and days on which the student is on an approved leave of absence are excluded from the calculation.

- Step 3 – Amount of Title IV Aid Earned by the Student: The school multiplies the percentage of the payment period or period of enrollment completed by the student (Step 2) by the total amount of aid that was disbursed or that could have been disbursed (Step 1).

- Step 4 – Total Title IV Aid to be Disbursed or Returned: This step is used to determine whether the school must disburse additional aid to the student (called a post-withdrawal disbursement) or whether Title IV aid must be returned. If the student has earned less than he or she received, the Title IV aid must be returned to the appropriate program(s). If the opposite is true, the school completes the post-withdrawal disbursement worksheet to determine how much the student receives.

- Step 5 – Amount of Unearned Title IV Aid Due from the SCHOOL: Using the percentage of *unearned* Title IV aid, the school multiplies this percentage by the total amount of qualified institutional charges.* The lesser of this amount or the total Title IV aid to be returned (Step 4) is entered here.

- Step 6 – Return of Funds by the SCHOOL: A school must return the unearned aid for which the school is responsible (Step 5). The funds must be returned to the appropriate Title IV programs from which the student received aid in the following order**:

  1. Unsubsidized Federal Stafford Loans
  2. Subsidized Federal Stafford Loans
  3. Unsubsidized Federal Direct Stafford Loans
  4. Subsidized Federal Direct Stafford Loans
  5. Federal Perkins Loans
  6. Federal PLUS Loans
  7. Direct PLUS Loans
  8. Federal Pell Grants
  9. Federal Supplemental Educational Opportunity Grant Program

***Qualified institutional charges are detailed in the *Policy Bulletin*, "Calculating Institutional Refunds: What Are Institutional Charges?" (January 7, 1999).**

****Funds should be returned up to the net amount disbursed from each source.**

10. Other grant or loan assistance authorized by Title IV of the HEA

- Step 7 – Initial Amount of Unearned Title IV Aid Due from the STUDENT: The school subtracts the amount of unearned aid the school is responsible for (Step 5) from the total amount of Title IV aid to be returned (Step 4). If the amount is $0, the student has nothing to repay.

- Step 8 – Return of Funds by the STUDENT: The school determines the amount to be returned by the student to each Title IV program from which he or she received funds. If the student is to return loan funds, he or she repays that amount according to the terms of the promissory note he or she signed. If the student is to return grant funds, the school must follow the procedures for handling any grant overpayments due from the student, including notifying the student of the overpayment.

New

ED has developed software to assist schools with performing return of Title IV aid calculations, which is known as R2T4 software. When using the software, a school can set up predetermined values for such "standard" things as its tuition, fees, room and board (if contracted through the school), and books and supplies (if they are available only through the school). The software covers these institutional charges for payment periods in various programs of study.

The software, along with reference materials and user guides, can be downloaded from ED's SFA Download Web site.

Reference:
http://sfadownload.ed.gov

Post-Withdrawal Disbursements

If the school determined through its return of Title IV funds calculation that a student is due **a post-withdrawal disbursement**, the school must notify the student of this fact.

For the school to make a post-withdrawal disbursement, the student must meet the required conditions for a late disbursement*; this must be before the date the student became ineligible.

***Late disbursement requirements are listed in 34 CFR 668.164(g).**

Post-withdrawal disbursements differ from typical late disbursements in the following ways:

- the school is *required* to make a post-withdrawal disbursement if the school determines the student is otherwise eligible to receive one,

- the amount of a post-withdrawal disbursement is determined by following the requirements for calculating earned Title IV aid; it does not depend on the amount of incurred educational costs, *and*

- the post-withdrawal disbursement must be made within 90 days of the date the school determined the student withdrew, not from the date the student became ineligible.

The school may credit a student's school account with post-withdrawal disbursement funds without the student's permission to cover current charges for tuition, fees, and room and board (if the student contracts with the school). However, a student's or parent's (for PLUS Loans) authorization is still required if the post-withdrawal disbursement will be used to cover other current charges for educationally related activities. A school may credit a student's account for minor prior-award-year charges according to cash management requirements.

Reference:
- 34 CFR 668.165(b)
- 34 CFR 668.16(d)(1)-(3)

Earned funds in excess of those credited to a student's school account must be offered to the student. A school is required to notify and offer the student (or parent for PLUS Loan funds), in writing, any amount of post-withdrawal disbursement that is not credited to the student's school account. In the notification, the school must advise the student that he or she has 14 calendar days from the date the school sent the notice to accept the post-withdrawal disbursement. If the student responds after the 14-day period, the school is not *required* to make the post-withdrawal disbursement, but the school may choose to do so. The institution must notify the student or parent of its decision.

The written notification must be sent as soon as possible, but no later than 30 calendar days after the date the school determines the student withdrew.

If a student or parent submits a response within the 14-day time period, accepting all or a portion of a post-withdrawal disbursement, the school must disburse the funds within 90 days of the date the school determined that the student withdrew.

A post-withdrawal disbursement must be made first from grant funds that could have been disbursed, then from other funds that could have been disbursed. The reason: It is in the student's best interest to minimize loan debt.

Grant Overpayments

Once the initial amount of the Title IV grant overpayment is determined, it is reduced by 50 percent. The adjusted grant overpayment is the amount the student is responsible to repay.

Within 30 days of the date that the school determined that a student withdrew, a school is required to notify the student that he or she must repay the overpayment. In the notification, the school must:

- inform the student that he or she owes a Title IV grant overpayment;

- state that the student's eligibility for additional Title IV funds will end if the student fails to take positive action by the 45th day following the date the school sent the notification (or was required to send the notification);
- present the student with the option of taking one of the following actions to enable the student to maintain his or her eligibility for Title IV funds:
    1. repay the overpayment in full to the school,
    2. sign a repayment agreement with ED's **Debt Collection Service (DCS)**, *or*
    3. if the institution chooses to offer an institutional repayment plan (a school does not have to offer this option), sign a repayment agreement with the school.
- notify the student that if he or she doesn't take positive action within the required time period, the overpayment will be reported and referred to NSLDS and ED's DCS; *and*
- tell the student the appropriate person at the school to contact to discuss his or her options.

Students who owe overpayments as a result of withdrawing from school retain their eligibility for Title IV funds for at most 45 days from the earlier of:

- the date the school sends the student notice of the overpayment *or*
- the date the school was required to notify the student of the overpayment.

If no positive action is taken by the student during the 45-day period, the school should immediately report the overpayment to NSLDS.

Repayment Arrangements

To maintain eligibility for Title IV funds, the student has three options for repaying a grant overpayment:

- Pay the overpayment in full to the school.

  If a school receives a payment for an overpayment from a student who has not been referred to ED's DCS, the school should NOT send the payment to ED. Depending on the program type, the school should do the following:

    - If the payment received is for a Pell Grant award (for current award year or prior award year) or for an FSEOG for the current award year, the school should handle the funds according to excess-cash regulations and GAPS procedures.

  - For a Pell Grant overpayment, the school should reduce the student's award by entering a negative disbursement in RFMS. The school then adjusts its institutional ledgers and the student's account.

  - For an FSEOG overpayment, the school should adjust its institutional ledgers, financial aid records, and the student's school account. The school's FISAP, in turn, will reflect the net award to the student. If the payment is for an FSEOG from a prior award year, the funds should be returned to ED using GAPS procedures.

- Enter into a repayment arrangement with the school.

  A school is not required to enter into a repayment agreement with a student. If the school chooses to do so and is able, ED encourages the school to negotiate a repayment agreement that includes terms permitting the student to repay the overpayment while maintaining his or her eligibility for Title IV funds. The school's repayment arrangement must provide for complete repayment of the overpayment within two years of the date the school determined the student withdrew. If a school does not choose to offer a repayment option, it is required to report the overpayment information to NSLDS and refer the overpayment to DCS.

- Enter into a repayment arrangement with ED.

If a student chooses this option, the school must report the overpayment to NSLDS and then refer the overpayment to ED's DCS.

Then, the school should provide the student with the address, phone number, and email address of ED's DCS.

U.S. Department of Education
Student Financial Assistance Programs
P.O. Box 4222
Iowa City, IA 52245

Phone: 1-800-621-3115

Email: DCS_HELP@ed.gov

Student Responsibilities

If a student has received an overpayment that he or she must repay, he or she should respond to the school's notification and reach an agreement with the school about paying the overpayment.

Failing to respond in a timely manner could result in the student's loss of eligibility for Title IV student financial aid.

Factors Affecting Return of Title IV Funds

Before schools can effectively follow return of Title IV funds policies, they must understand factors that relate to the laws and regulations. These include:

- applying for and disbursing aid,
- whether or not the school is required to take attendance,
- withdrawal date,
- last date of attendance,
- payment period or period of enrollment,
- post-withdrawal disbursements,
- leave of absence,
- institutional charges, *and*
- noninstitutional charges.

Institutional Charges

Unless demonstrated otherwise, **institutional charges** are charges assessed by the school for tuition, fees, room and board contracted with the school, and other charges assessed by the school. They are usually assessed for direct educational expenses and are paid directly to the school.

To be classified as an institutional charge, a charge does not have to be charged to all students or be listed as a charge in an enrollment agreement.

Institutional charges may or may not be charged to the student's school account. Conversely, all charges on a student's school account are not necessarily institutional charges.

Books, supplies, and equipment are considered institutional charges if there is no real and reasonable opportunity to buy the books, supplies, or equipment from a source other than the institution.

Reference:

- *Policy Bulletin*, "Calculating Institutional Refunds: What Are Institutional Charges?" (January 7, 1999).

Noninstitutional Charges

Noninstitutional charges are not owed directly to the school but are related to a student's education. Noninstitutional charges include:

- room and board charges not contracted with the school;
- charges for any required course materials that a school can document are noninstitutional because the student had a real and reasonable opportunity to purchase them elsewhere;
- a charge to a student's account for room charges that are collected by the school but are "passed through" to an unaffiliated entity;
- a charge to a student's account for group health insurance fees, if the insurance is required for all students and the coverage remains in effect for the entire period for which the student was charged, despite the student's withdrawal; *and*
- a charge to a student's account for discretional, educationally related expenses, such as:
    - parking or library fines *or*
    - cost of athletic or concert tickets.

Applying and Disbursing Aid

The presumption of the return of aid provisions in the law is that Title IV funds are used to pay institutional charges ahead of all other sources of aid. That is why the requirements look first to the school to repay unearned Title IV funds. This does not mean that a school is required to apply Title IV funds to institutional charges before other aid is applied. However, an institution must return the full amount of Title IV funds for which it is responsible, regardless of whether or not the Title IV funds were used to pay institutional charges.

Withdrawal Date

The definition of **withdrawal date**:

- for institutions required to take attendance by an outside entity,* the date of withdrawal is the last date of academic attendance as determined from attendance records.
- for institutions not required to take attendance by an outside entity,* the withdrawal date (determined by the school) is:
    - the date the student began the withdrawal process prescribed by the school;

***Examples of outside entities are a school's accrediting agency or a school's state licensing agency.**

- the date that the student otherwise provided the school with official notification of the intent to withdraw;
- the date a student began a leave of absence, if the student takes an unapproved leave of absence or does not return from an approved leave of absence; *or*
- the midpoint of the payment period or period of enrollment for which Title IV aid was disbursed or a later date documented by the institution, if a student unofficially withdraws.

If a student both begins the schools' withdrawal process *and* otherwise provides official notification to the school of his or her intent to withdraw, the withdrawal date is the earlier of these two dates.

If a student withdraws after rescinding a previous official notification of withdrawal, the withdrawal date is the original withdrawal date from the original (previous) official notification.

Special rule: The institution may determine the appropriate withdrawal date that is related to a student's special circumstances if the student did not begin the withdrawal process or otherwise notify the institution of the intent to withdraw due to:

- illness,
- accident,
- grievous personal loss, *or*
- other such circumstances beyond the student's control.

Leave of Absence for the Purpose of the Return of Title IV Funds

A student who is granted an approved **leave of absence (LOA)** is not considered to have withdrawn and no return of Title IV funds calculation is required. A leave of absence is an approved LOA if:

- the institution determines there is a reasonable expectation that the student will return to the institution;
- the student is a loan recipient, and the institution explains to the student, before granting the LOA, the effects that the student failing to return from the LOA may have on the student's loan repayment terms, including exhausting some or all of the student's grace period;
- the LOA does not exceed 180 days in length in any 12-month period;
- the LOA does not involve additional charges to the student;

- on the student's return, he or she is permitted to complete the course work he or she began before the LOA;
- the institution has a formal written LOA policy;
- the student followed the institution's policy in requesting an LOA; *and*
- the institution approved the request according to its policy.

If a student does not return to the institution at the end of an approved LOA, the institution is required to calculate a return of Title IV funds based on the date the student left on the approved LOA.

Generally, only one leave of absence may be granted to a student in a 12-month period. However, one additional leave of absence of no more than 30 days may be granted if the institution determines that it is necessary because of unforeseen circumstances (this LOA may not be the student's first LOA). Also, subsequent LOA may be granted for jury duty, military reasons, or circumstances covered under the Family Leave and Medical Act of 1993.

A school may accept one request for multiple leaves of absence from a student when those leaves are all requested for the same reason. For example, a student who will be receiving multiple chemotherapy treatments over the course of the student's enrollment could submit one request to cover the recovery time needed for each session.

The total number of days of all LOAs may not exceed 180 days in any 12-month period.

2.10 Record Maintenance and Retention Requirements

Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.24

Institutions participating in Title IV programs collect and generate a significant volume of program-related and student-related information on a yearly basis. Federal regulations specify which of these records must be maintained and the period of time they must be retained. These record maintenance and retention requirements are school-wide, and they include fiscal, financial aid, and general institutional records.

The importance of maintaining complete and consistent records cannot be overemphasized. These records are used to document a school's administrative capability and financial responsibility and are crucial in maintaining eligibility to participate in Title IV programs. As such, schools must make student financial aid program and general records available to auditors and representatives of ED at their request. Records that are poorly maintained or that are not readily available for review can lead to findings, exceptions, and liabilities in the course of an audit or program review.

This section describes the recordkeeping requirements contained in ED regulations. A discussion of the Family Educational Rights and Privacy Act (FERPA) is also included, beginning on page 2-64. FERPA is an important law that protects the privacy of students and families by controlling disclosure of student records to parties outside the institution and by allowing students access to their own school records.

General Student Records

Schools must maintain records related to a student's participation in the Title IV programs. Examples include:

- the student's admission and enrollment status at the institution,
- the program of study and the courses in which the student is enrolled,
- the student's academic progress,
- all financial aid the student receives at the institution,
- the student's prior receipt of financial aid at other institutions, if applicable,
- all return of Title IV funds due or paid to the student, Title IV programs, or FFEL Program lenders,
- the student's job placement (if the school provides a placement service and the student uses that service), *and*
- verification of information reported on the student's financial aid application, if the student is chosen for verification.

For *all* students, not just Title IV recipients, the school must keep records about its admission requirements and the educational qualifications of each student admitted to or enrolled in each eligible program.

Schools must also keep records relating to student consumer-information requirements and to requirements under the Student Right-To-Know (SRK) Act and Campus Security Act.

General Institutional Records

Schools must maintain all records that relate generally to the institution's eligibility to participate in Title IV programs. Examples include:

- the institution's Program Participation Agreement (PPA), approval letter, and Eligibility and Certification Approval Report (ECAR) sent from ED;
- accrediting agency and licensing agency reviews, approvals, and reports;
- state agency reports;

Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

- audit and program review reports; *and*
- self-evaluation reports.

General Fiscal Records

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.24(b)

A school must keep consistent and accurate records of its use of Title IV funds. Program and fiscal records must show a clear (easily followed) audit trail for expenditures of federal funds. Similarly, these records must clearly show that funds were obtained, managed, disbursed, and returned according to federal regulations. Fiscal records that must be maintained include:

- records of all Title IV program transactions;
- bank statements for accounts containing Title IV funds;
- student school accounts, including (for each enrollment period) institutional charges, cash payments, Title IV payments, cash disbursements, and return of Title IV funds;
- general ledger (control accounts) and related subsidiary ledgers that identify each program transaction and separate those transactions from the institution's other financial transactions;
- Federal Work-Study (FWS) payroll records; *and*
- records that support data that appear on required reports.

Specific fiscal recordkeeping requirements for each Title IV program are discussed in that program's regulations.

Financial Aid Application and Award Records

Reference:
- 34 CFR 668.24(c)

Schools are required to keep extensive records involving student applications for financial aid and financial aid awards. Required records include:

- student applications for financial aid and need analysis documents for all eligible aid applicants who attended the school, *whether or not they received any financial aid*;
- documents establishing a student's financial need and eligibility for Title IV aid;
- financial aid awards made to and accepted or declined by students*;
- cost of attendance information for individual students;
- verification documents, including student (and spouse, if applicable) and parent federal tax returns of students selected for verification;

***Schools have to provide auditors or program reviewers with records of the notifications they sent students about their financial aid awards.**

- records of FFEL Program loans and Direct Loans;
- documentation of required entrance and exit loan counseling for students borrowing under the FFEL, Direct Loan, and Federal Perkins Loan Programs;
- data used to establish a student's full-time or part-time enrollment status and period(s) of enrollment;
- records of returns of Title IV funds due to or paid to students, Title IV program accounts, or FFEL Program lenders; *and*
- required certification statements and any documents used to support or verify those certifications.

Financial Aid Software Records

Reference:
- 34 CFR 668.24 (d)(2) and (3)

Schools should, but are not required to, keep copies of any software used to calculate and help determine a student's eligibility for Title IV aid. If a non-ED software package is needed to access and review records that a school maintains on its students, the school must maintain a copy of that software as well.

Reporting Records

Schools must maintain reports or copies of reports submitted or received in connection with administering Title IV programs, including:

- Fiscal Operations Report and Application to Participate (FISAP),
- Federal Pell Grant Program Electronic Statements of Account (ESOAs),
- Grant Administration and Payment System (GAPS) cash requests,
- reconciliation reports for Title IV programs,
- federal, state, and independent audit reports and school responses*,
- state grant and scholarship award rosters and reports, *and*
- accrediting and licensing agency reports.

In addition, schools must maintain records that support the data that appear on all required reports.

***In any case that is still pending, a school is required to keep all student records that pertain to audit or program review findings.**

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.24(a)

Program Records

Schools must also keep records that relate specifically to each Title IV program, including records of:

- its eligibility to participate in Title IV programs,
- the eligibility of its educational programs for Title IV funds,
- its administration of Title IV programs according to all applicable requirements,
- its financial responsibility,
- information included in any application for Title IV funds,
- its disbursement and delivery of Title IV funds,
- the eligibility of any additional location that offers at least 50 percent of the program and offers Title IV funds, *and*
- its admission policy.

Reference:
- 34 CFR 668.24
- 34 CFR 690.82

Federal Pell Grant Program

For the Federal Pell Grant Program, the records a school must maintain include, but are not limited to:

- a valid Institutional Student Information Record (ISIR) or Student Aid Report (SAR) for each student applying for a Federal Pell Grant,
- records of the eligibility of each enrolled student for whom the school has an ISIR* or SAR,
- the name and Social Security number of and the amount paid to each student,
- the amount and date of any overpayment that is restored to the program account,
- each student's cost of attendance,
- how each student's full-time or part-time enrollment status was determined, *and*
- records of each student's enrollment period.

***The ISIR must be maintained in the electronic format in which it was originally received from ED. The SAR must be maintained in its original, hard-copy format or an imaged-media format.**

Reference:
- 34 CFR 668.24
- 34 CFR 676.19

FSEOG Program

For the Federal Supplemental Educational Opportunity Grant (FSEOG) Program, the records a school must maintain include, but are not limited to:

- program records that are reconciled at least monthly,
- each student's school account and status,
- the eligibility of each student assisted under the program and how each student's need was met,
- all FSEOG applications for those students reported on the FISAP,
- all records supporting the school's application for FSEOG funds, *and*
- a noncash-contribution record to document payment of the institution's share (nonfederal share) of grants to students.

Reference:
34 CFR 668.24
34 CFR 674.19

Federal Perkins Loan Program

For the Federal Perkins Loan Program, the records a school must maintain include, but are not limited to:

- program and fiscal records that are reconciled at least monthly;
- each student's school account and status;
- the eligibility of each student assisted under the program and how each student's need was met;
- original promissory notes and repayment schedules in a locked, fireproof container until the loans are satisfied or until they are assigned to ED for collection, or as long as the documents are needed to enforce the loan obligation;
- all loan applications for those students reported on the FISAP;
- all records supporting the school's application for funds under the Federal Perkins Loan Program;
- a repayment history for each borrower that shows the date and amount of each repayment over the life of the loan and that indicates the amount of each repayment credited to principal, interest, collection costs, and penalty or late charges;
- documentation of the date, nature, and result of each contact with the borrower or endorser in collecting an overdue loan, including copies of all

correspondence to or from the borrower and endorser (except bills, routine overdue notices, and routine form letters);

- payment records (including cancellation and deferment requests);
- collection agency reports (if collection attempts were made);
- litigation records (if litigation occurred); *and*
- information collected at entrance and exit loan counseling conducted for the borrower.

Federal Work-Study Program

For the Federal Work-Study (FWS) Program, the records a school must maintain include, but are not limited to:

Reference:
- 34 CFR 668.24
- 34 CFR 675.19

- program records that:
  - are reconciled at least monthly,
  - identify each student's school account and status,
  - show the eligibility of each student assisted under the program, *and*
  - show how each student's need was met;
- all employment records for those students reported on the FISAP;
- all records supporting the school's application for FWS funds;
- a certification by the student's supervisor, an official of the institution, or off-campus employer, that each student has worked and earned the amount paid*;

Reference:
- 34 CFR 675.19(b)(2)(i)

New

**Schools now have the option to allow electronic certification:*
- *of the hours a student worked* and
- *that the amount paid was earned by the student.*

Schools can still require supervisors to sign paper certifications.

- a time sheet showing the hours each student worked in clock-time sequence for students paid on an hourly basis, or the total hours worked each day,
- a payroll voucher containing sufficient information to support all payroll disbursements, *and*
- a noncash-contribution record to document any payment of the institution's share of the student's earnings in the form of services and equipment.

Federal Family Education Loan Program

For the Federal Family Education Loan (FFEL) Program, the records a school must maintain include, but are not limited to:

- a copy of the loan certification or data electronically submitted to the lender, that includes the amount of the loan and the loan period for which the loan was intended;
- the data used to construct an individual student's budget or the school's itemized standard budget used to calculate students' estimated costs of attendance;
- the sources and amounts of financial aid available to the student that the school used to determine the student's estimated financial aid for the loan period;
- the amount of the student's tuition and fees paid for the loan period and the date the student paid the tuition and fees;
- the amount and basis of the calculation of any return of Title IV funds paid to or on behalf of a student;
- the data used to determine the student's Expected Family Contribution (EFC) and the corresponding certification by the school to the lender, for a subsidized Federal Stafford Loan for which the borrower receives an interest subsidy;
- the date of each disbursement of the loan and the amount of that disbursement;
- the date the school endorsed each loan check;
- the date(s) loan proceeds were delivered by the school to the student;
- a copy of the student's (or parent's, for a PLUS Loan) written authorization for initial and subsequent disbursements for loans delivered by electronic funds transfer (EFT) or master check and for which the school has no authorization on the loan application;
- a description of any master promissory note (MPN) confirmation process or processes in effect for each academic year in which the school makes second or subsequent loans under an MPN*;
- documentation that the student received entrance and exit loan counseling; *and*
- litigation records (if litigation occurred).

Reference:

- **34 CFR 668.24**
- **34 CFR 682.610**

***The description of the MPN confirmation process(es) need not be included in individual borrower files. Ideally, it should be included in a student handbook or other publication that explains the school's financial aid policies to students. This information must be kept indefinitely.**

In addition, schools must maintain any other records that document their compliance with any applicable loan-related requirements.

Federal Direct Loan Program

For the Federal Direct Loan Program, the records a school must maintain include, but are not limited to:

Reference:
- 34 CFR 668.24
- 34 CFR 685.309

- application data submitted to ED;
- the amount of the loan and the loan period;
- the amount and date of tuition and fees paid for the loan period;
- the data in an individual student budget or the school's itemized standard budget that were used in calculating the student's estimated cost of attendance;
- the sources and amounts of financial aid available to the student that the school used to determine the student's estimated financial aid for the loan period;
- the cost of attendance used to determine the student's loan;
- the amount and basis of the calculation of any return of Title IV funds paid to or on behalf of a student;
- the data used to determine the student's EFC, for a subsidized Direct Loan;
- the date of each disbursement of the loan, for a subsidized or unsubsidized Direct Loan;
- the date of each disbursement of the loan and the amount of the disbursement;
- a description of the master promissory note (MPN) confirmation process or processes in effect for each academic year in which the school makes second or subsequent loans under an MPN*;
- the borrower's information collected at the exit interview and documentation that confirms that the student received entrance and exit loan counseling;
- all records involved in any loan, claim, or expenditure questioned by a federal audit until the resolution of any audit questions;
- program records that are reconciled at least monthly;
- each student's account and status; *and*
- the eligibility of each student assisted under the program and how each student's need was met.

***The description of the MPN confirmation process(es) need not be included in individual borrower files. Ideally, it should be included in a student handbook or other publication that explains the school's financial aid policies to students. This information must be kept indefinitely.**

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.24(e)

***If the record is involved in any loan, claim, or expenditure questioned by a Title IV program audit, program review, investigation or other review, the record must also be maintained until the issue is resolved.**

Record-Retention Requirements

Schools must retain all required records for a minimum of three years.* However, all records do not have the same starting point. In addition, some states require schools to retain such records for longer periods.

The chart below shows the required minimum retention period for records under various Title IV programs.

Minimum Record-Retention Periods

Title IV Program	End of the award year in which the report was submitted	End of the award year for which the aid was awarded	End of the award year in which the student last attended	The loan is satisfied or the documents are needed to enforce the obligation	The date on which a loan is assigned to ED, cancelled, or repaid
Campus-Based and Pell Grant		3 Years			
Except:					
• Fiscal Operations Report and Application to Participate (FISAP) and supporting records	3 Years				
• Perkins repayment records					3 Years
• Perkins original promissory notes and repayment schedules			Until		
FFEL and Direct Loans					
• Records related to borrower's eligibility and participation			3 Years		
• All other records, including any other reports or forms	3 Years				

Note: An institution must keep all records involved in any loan, claim, or expenditure questioned by a Title IV HEA audit or program review, investigation, or other review until the later of (a) the resolution of that questioned loan, claim, or expenditure or (b) the end of the retention period that applies to the record. In addition, the description of the MPN confirmation process must be kept indefinitely.

Record Maintenance for Paper and Imaged Formats

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.24(d)

A school must maintain all required records in a systematically organized manner. Unless a specific format is required, a school may keep required records in hard copy, microform, computer file, optical disk, CD-ROM, or other media form.

Regardless of the format used to keep a record, all records (except ISIRs, see the special requirements section below) must be retrievable in a coherent hard-copy format.

- ♦ A coherent hard-copy format could be, for example, an easily understandable printout of a computer file.

Any document that contains a signature, seal, certification, or any other image or mark required to validate the authenticity of its information must be maintained in its original hard-copy format or in an imaged-media format.*

- ♦ A school may maintain a record in an imaged-media format only if the format is capable of reproducing an accurate, legible, and complete copy of the original document. When printed, the copy must be approximately the same size as the original document.

***In the case of Perkins Loans, the promissory notes and repayment schedules must be maintained in their hard-copy format only.**

Special Requirements

Special maintenance and availability requirements apply to SARs and ISIRs because it is essential that these basic eligibility records be available in a consistent, comprehensive, and verifiable format for program review and audit purposes.

Reference:
- 34 CFR 668.24(d)(3)(ii)

- ♦ The SAR must be available in its original, hard-copy format or in an imaged-media format.
- ♦ The ISIR, an electronic record, must be maintained and available in its original format,** that is, as ED supplied it to the school.

A school that uses EDExpress software has the ability to maintain ISIR data by archiving the data to a disk or other computer format.

****The original format is in the form of a magnetic tape, cartridge, or as it was archived using EDExpress software.**

Records Examination

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.24(f)

Schools must make their records available to ED at an institutional location that ED designates. These records must be readily available for review, including any records of transactions between a school and the financial institution where the school deposits its Title IV funds.

A school and its third-party servicer must cooperate with the agencies or individuals conducting audits, program reviews, investigations, or other reviews authorized by law. This cooperation must be extended to the following individuals and their authorized representatives:

- independent auditors,
- the U.S. Secretary of Education,
- ED's Inspector General,
- the Comptroller General of the United States,
- any guaranty agency in whose program the school participates, *and*
- the school's accrediting agency.

In the review process, a school or its third-party servicer must cooperate by providing timely access to requested records, pertinent books, documents, papers, or computer programs for examination and copying.

A school or its third-party servicer must also provide reasonable access to all personnel associated with the school's or servicer's administration of federal student financial aid programs so any of the agents listed above may obtain relevant information. A school or its third-party servicer has not provided reasonable access if it:

- refuses to allow its personnel to supply all relevant information,
- permits interviews with those personnel only if the school's or servicer's management is present, *or*
- permits interviews with those personnel only if the interviews are tape recorded by the school or servicer.

If ED requests it, a school or its third-party servicer must promptly provide any information about the last known address, full name, telephone number, enrollment information, employer, and employer address of Title IV fund recipients who attend or attended the school. A school must also provide this information, on request, to a lender or guaranty agency in the case of a FFEL Program borrower.

Reference:
- 34 CFR 668.24(d)(4)(i) and (ii)

A school must still provide for the retention of required records, and for access to those records, if the school:

- stops providing educational programs,
- is terminated or suspended from participating in a Title IV program(s),

- undergoes a change of ownership that results in a change in control,
- closes.

These records must be accessible for inspection and copying by ED or ED's authorized representative *and* the appropriate guaranty agency (if applicable).

Disclosing Student Information

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

Reference:
- 34 CFR Part 99

The Family Education Rights and Privacy Act of 1974 (FERPA) sets certain conditions on disclosing personal information from records kept by schools. The law pertains to all students attending these schools, not just Title IV recipients. In addition, federal regulations issued under FERPA apply to all school records, including admissions records, academic records, and financial aid records.

FERPA excludes from the definition of "education records" (and from the restrictions and rights of access under FERPA) records that are maintained by a law enforcement unit of an education agency or institution that were created by that unit for the purpose of law enforcement.

School Requirements

Under FERPA, a school is required to:

- develop a written policy listing the types and locations of education records maintained by the school and stating the procedures for students and parents to review the records,
- notify students and parents of their rights with respect to education records, *and*
- document a student's file each time personally identifiable information is disclosed to a person other than the student.

Student Rights

A student has the right to:

- inspect and review his or her education records,
- request an amendment to the records, *and*
- if the request for an amendment is denied, to request a hearing to challenge the contents of the education records on the grounds that the records are inaccurate, misleading, or violate the student's rights.

Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

Disclosure to Third Parties

FERPA regulations also govern disclosing student information to parties other than the student. There are several conditions under which personally identifiable information may be disclosed without the student's prior written consent. Some of these conditions are of interest to the fiscal officer:

- Disclosure may be made to authorized representatives of ED, ED's Office of Inspector General, or state and local education authorities. These officials may have access to records as part of an audit or program review, or to ensure compliance with Title IV program requirements.
- Disclosure may be made if it is in connection with financial aid that the student received or applied for. Information may be released only if it is needed to determine the amount of the aid, the conditions for the aid, the student's eligibility for the aid, or to enforce the terms or conditions of the aid.
- Disclosure may be made to the student's parent, if the student is a dependent of the parent as defined by the Internal Revenue Service.
- Disclosure may be made to organizations that are conducting studies concerning administration of student aid programs on behalf of educational agencies or institutions.

Recording Disclosures

Schools are required to keep a record of each request for access and each disclosure of personally identifiable student information. The record must identify the parties who requested the information and their legitimate interest in the information. This disclosure record must be maintained as long as the records themselves are maintained.

Record-Management Procedures

It is essential that schools maintain records related to Title IV programs in an organized manner. Good record-management procedures assist institutions in carrying out daily functions associated with administering Title IV funds, filing required reports in an accurate and timely manner, and maintaining a clear audit trail.

One important aspect of record management is careful and orderly filing of original records. To do this, many schools establish individual, cumulative student aid files, separating documents within each student's file on the basis of award year.

Clear Audit Trail

Although it is important to keep original records used in processing financial aid, schools must also have a recordkeeping system that traces transactions involving those records. A school's recordkeeping procedures should allow for establishing and maintaining a clear (easily followed) audit trail. A clear audit trail is defined as maintaining required documentation that supports each transaction involving receiving or expending federal funds.

A school may maintain records in a manual, paper-based system or in a computer database, or it may use a combination of these methods. For example, a school that uses an automated system to manage records might also maintain paper files that contain original documents needed to support the electronic information stored in a database. As imaging technology becomes more available, schools might choose to maintain electronically imaged documents instead of paper originals.

In-House Control Documents

The in-house control documents a school uses to manage records can vary on the basis of institutional policies and procedures. Some commonly used control documents, whether paper or electronic, include:

- a communication log that summarizes all in-person or telephone contacts with a student or about a student's financial aid;
- a document-control checklist that monitors documents received against documents needed to process a student's financial aid;
- an award-packaging log that shows how and when a student's award was packaged and by whom;
- a loan-status log for each federal student loan program that tracks loan applications, disbursements, entrance and exit loan counseling, refunds, repayments, and collection activities (if applicable); *and*
- a student master record that contains financial aid information for a student for each award year.

Student Master Record

A student master record is used to record basic information relating to a student's application for and receipt of financial aid. The student master record typically contains:

- demographic information, such as name, address, date of birth, and citizenship status;

- enrollment information, such as admission status, enrollment dates, credits attempted and completed, and grade point average;
- need analysis information, such as Expected Family Contribution (EFC), family income, and cost of attendance (COA);
- award information, such as amounts and sources of funds awarded and whether awards were accepted or declined; *and*
- student account information, such as tuition and fee charges assessed, cash payments made by a student or parent, financial aid disbursements, and return of Title IV funds.

Appendix F—Ratio Methodology for Proprietary Institutions

Section 1: Ratios and Ratio Terms

$$\text{Primary Reserve Ratio} = \frac{\text{Adjusted Equity}}{\text{Total Expenses}}$$

$$\text{Equity Ratio} = \frac{\text{Modified Equity}}{\text{Modified Assets}}$$

$$\text{Net-Income Ratio} = \frac{\text{Income Before Taxes}}{\text{Total Revenues}}$$

Definitions:

- **Adjusted Equity** *equals* (total owner's equity) *minus* (intangible assets) *minus* (unsecured related-party receivables) *minus* (net property, plant, and equipment)* *plus* (post-employment and retirement liabilities) *plus* (all debt obtained for long-term purposes).**
- **Total Expenses** excludes income tax, discontinued operations, extraordinary losses, or change in accounting principle.
- **Modified Equity** *equals* (total owner's equity) *minus* (intangible assets) *minus* (unsecured related-party receivables).
- **Modified Assets** *equals* (total assets) *minus* (intangible assets) *minus* (unsecured related-party receivables).
- **Income Before Taxes** is taken directly from the audited financial statement.
- **Total Pre-Tax Revenues** *equals* (total operating revenues) *plus* (non-operating revenue and gains). Investment gains should be recorded net of investment losses. No revenues shown after income taxes (for example, discontinued operations, extraordinary gains, or change in accounting principle) on the income statement should be excluded.

* The value of plant, property, and equipment is net of accumulated depreciation, including capitalized lease assets.

** The value of all debt obtained for long-term purposes includes the short-term portion of the debt, up to the amount of net property, plant, and equipment.

Source: 34 CFR 668 Subpart K.

Section 2, Calculating the Ratios from the Balance Sheet and Income Statement

Balance Sheet

Line		
1	Cash	$ 190,000
2	Accounts Receivable	1,010,000
3	Prepaid Expenses	150,000
4	Inventoried	130,000
5	Note Receivable from Affiliate	200,000
6	Investments	330,000
7	**Total Current Assets**	2,010,000
8	Property and Equipment, net	500,000
9	Amount Due from Owner	170,000
10	Goodwill	80,000
11	Organization Costs	70,000
12	Deposits	60,000
13	**Total Assets**	2,890,000
14	Accounts Payable	200,000
15	Accrued Expenses	330,000
16	Current Portion of Long-Term Debt	120,000
17	Deferred Revenue	650,000
18	**Total Current Liabilities**	1,300,000
19	Long-Term Debt, net of Current Portion	330,000
20	**Total Liabilities**	1,630,000
21	Contributed Capital	440,000
22	Retained Earnings	820,000
23	**Total Owner's Equity**	1,260,000
24	**Total Liabilities and Owner's Equity**	2,890,000

Statement of Income and Retained Earnings

Line		
25	Operating Income	$ 9,700,000
26	Non-Operating Income	300,000
27	**Total Income**	10,000,000
28	Cost of Goods Sold	6,600,000
29	Administrative Expenses	2,800,000
30	Depreciation Expense	60,000
31	Interest Expense	40,000
32	**Total Expenses**	9,500,000
33	Other: Gain on Sale of Investments	10,000
34	**Net Income Before Taxes**	510,000
35	Federal Income Taxes	53,000
36	**Net Income After Taxes**	357,000
37	Extraordinary Loss, net of Tax	800,000
38	**Net Income**	(443,000)
39	Retained Earnings, Beginning of year	1,263,000
22	**Total Expenses**	820,000

Primary Reserve Ratio = (lines) $\frac{23-5-9-10-8+(16+19)^{*}}{32} = \frac{\$\ 760{,}000}{9{,}500{,}000} = 0.080$

Equity Ratio = (lines) $\frac{23-5-9-10}{13-5-9-10} = \frac{\$\ 810{,}000}{\$\ 2{,}440{,}000} = 0.332$

Net Income Ratio = (lines) $\frac{34}{27+33} = \frac{\$\ 510{,}000}{\$\ 10{,}010{,}000} = 0.051$

*Long-Term Debt (lines 16 + 19) cannot exceed Property and Equipment (line 8) in the formula.

Source: 34 CFR 668 Subpart K.

Appendix F—Ratio Methodology for Proprietary Institutions

Section 3: Calculating the Composite Score

Step 1: Calculate the strength factor score for each ratio, by using the following algorithms:

	Example (for Proprietary Institutions)
•Primary Reserve strength factor score *equals* 20 *multiplied by* Primary Reserve Ratio result:	20 x 0.080 = 1.600
•Equity strength factor score *equals* 6 *multiplied by* Equity Ratio result:	6 x 0.332 = 1.992
•Net Income strength factor score *equals* 1 *plus* (33.3 *multiplied by* Net-Income Ratio result):	1 + (33.3 x 0.051) = 2.698

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for that ratio is 3.
If the strength factor score for any ratio is less than or equal to -1, the strength factor score for that ratio is -1.

Step 2: Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores.

	Example (for Proprietary Institutions)
•Primary Reserve weighted score *equals* 30% *multiplied by* Primary Reserve strength factor score:	0.30 x 1.600 = 0.480
•Equity weighted score *equals* 40% *multiplied by* Equity strength factor score:	0.40 x 1.992 = 0.797
•Net Income weighted score *equals* 30% *multiplied by* Net Income strength factor score:	0.30 x 2.698 x = 0.809
•Composite score *equals* sum of all weighted scores:	0.480 + 0.797 + 0.809 = 2.086
•Round the composite score to one digit after the decimal point to determine the final score:	2.1

Source: 34 CFR 668 Subpart K.

Appendix G—Ratio Methodology for Private Nonprofit Institutions

Section 1: Ratios and Ratio Terms

$$\text{Primary Reserve Ratio} = \frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$$

$$\text{Equity Ratio} = \frac{\text{Modified Net Assets}}{\text{Modified Assets}}$$

$$\text{Net-Income Ratio} = \frac{\text{Change in Unrestricted Net Assets}}{\text{Total Unrestricted Revenue}}$$

Definitions:

- **Expendable Net Assets** *equals* (unrestricted net assets) *plus* (temporarily restricted net assets) *minus* (annuities, term endowments, and life-income funds that are temporarily restricted) *minus* (intangible assets) *minus* (net property, plant, and equipment)* *plus* (post-employment and retirement liabilities) *plus* (all debt obtained for long-term purposes).**
- **Total Expenses** is the total unrestricted expenses taken directly from the audited financial statement.
- **Modified Net Assets** *equals* (unrestricted net assets) *plus* (temporarily restricted net assets) *plus* permanently restricted net assets) *minus* (intangible assets) *minus* (unsecured related-party receivables).
- **Modified Assets** *equals* (total assets) *minus* (intangible assets) *minus* (unsecured related-party receivables).
- **Change in Unrestricted Net Assets** is taken directly from the audited financial statement.
- **Total Unrestricted Revenue** is taken directly from the audited financial statement. (This amount includes net assets released from restriction during the fiscal year.)

* The value of plant, property, and equipment is net of accumulated depreciation, including capitalized lease assets.

** The value of all debt obtained for long-term purposes includes the short-term portion of the debt, up to the amount of net property, plant, and equipment.

Source: 34 CFR 668 Subpart K.

Section 2, Calculating the Ratios from the Balance Sheet and Statement of Activities

Balance Sheet

Line		
1	Cash and Cash Equivalents	$ 1,000,000
2	Accounts Receivable	6,000,000
3	Prepaid Expenses	1,500,000
4	Inventories	500,000
5	Contributions Receivable	2,000,000
6	Student Loans Receivable	8,000,000
7	Investments	6,000,000
8	Property and Equipment, net	50,000,000
9	Bond Insurance Costs	720,000
10	Goodwill	500,000
11	Deposits	20,000
12	Total Assets	76,240,000
13	Line of Credit	500,000
14	Accounts Payable	2,000,000
15	Accrued Expenses	3,500,000
16	Deferred Revenue	650,000
17	Post-Retirement Benefits Liability	6,800,000
18	Bonds Payable**	36,000,000
19	Total Liabilities	49,250,000
20	Unrestricted Net Assets	15,190,000
21	Annuities	300,000
22	John Doe Scholarship Fund	2,500,000
23	Total Temp. Restricted Net Assets	2,800,000
24	Permanent Restr. Net Assets	9,000,000
25	Total Net Assets	26,990,000
26	Total Liabilities & Net Assets	76,240,000

Statement of Activities

Line		a Unrestricted	b Temporarily Restricted	c Permanently Restricted	d Total
27	Tuition and Fees	$45,000,000			$ 45,000,000
28	Contributions	1,200,000	$ 300,000	$ 120,000	1,620,000
29	Auxiliary Enterprises	5,500,000			5,500,000
30	Net Assets Released from Restrictions	200,000			200,000
31	Total Revenue	51,900,000	300,000	120,000	52,320,000
32	Operating Expenses	38,000,000			38,000,000
33	Depreciation	5,000,000			5,000,000
34	Interest Expense	2,880,000			2,880,000
35	Auxiliary Enterprises	5,200,000			5,200,000
36	Non-Operating Expenses	900,000			900,000
37	Net Assets Released from Restrictions		200,000		200,000
38	Total Expenses	51,980,000	200,000		52,180,000
39	Change in Net Assets	(80,000)*	100,000	120,000	140,000
40	Net Assets at beginning of year	15,270,000	2,700,000	8,880,000	26,850,000
41	Net Assets at end of year	15,190,000	2,800,000	9,000,000	26,990,000

Primary Reserve Ratio = (lines) $\frac{20+23-21-10-9+18^{**}+17}{38a} = \frac{\$\ 9,790,000}{\$\ 51,980,000} = 0.188$

Equity Ratio = (lines) $\frac{25-10}{12-10} = \frac{\$\ 26,490,000}{\$\ 75,740,000} = 0.350$

Net Income Ratio = (lines) $\frac{39a}{31a} = \frac{\$\ (80,000)}{\$\ 51,900,000} = -0.0015$

*In accounting statements, parentheses denote negative numbers [i.e., (80,000) equals negative 80,000].

**Long-term Debt (line 18) cannot exceed Property and Equipment, net (line 8) in this formula.

Source: 34 CFR 668 Subpart K

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Appendix G—Ratio Methodology for Private Nonprofit Institutions

Section 3: Calculating the Composite Score

Step 1: Calculate the strength factor score for each ratio, by using the following algorithms:

	Example (for Private, Nonprofit Institutions)
•Primary Reserve strength factor score *equals* 10 *multiplied by* Primary Reserve Ratio result:	**10 x 0.188 = 1.880**
•Equity strength factor score *equals* 6 *multiplied by* Equity Ratio result:	**6 x 0.350 = 2.100**
•Because the Net-Income Ratio is negative, the algorithm for negative net income is used— Net Income strength factor score *equals* 1 *plus* (25 *multiplied by* Net-Income Ratio result):	**1 + (25 x -0.0015) = 0.963**

(Note: If the Net-Income Ratio result is positive, the following algorithm is used, Net Income strength factor score *equals* 1 *plus* (50 *plus* Net-Income Ratio result)—If the Net-Income Ratio result is 0, the Net Income strength factor score is 1).

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for that ratio is 3.
If the strength factor score for any ratio is less than or equal to -1, the strength factor score for that ratio is -1.

Step 2: Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores.

	Example (for Private, Nonprofit Institutions)
•Primary Reserve weighted score *equals* 40% *multiplied by* Primary Reserve strength factor score:	**0.40 x 1.880 = 0.752**
•Equity weighted score *equals* 40% *multiplied by* Equity strength factor score:	**0.40 x 2.100 = 0.840**
•Net Income weighted score *equals* 20% *multiplied by* Net Income strength factor score:	**0.20 x 0.963 x = 0.193**
•Composite score *equals* sum of all weighted scores:	**.752 + 0.840 + 0.193 = 1.785**
•Round the composite score to one digit after the decimal point to determine the final score:	**1.8**

Source: 34 CFR 668 Subpart K.

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Chapter 3

Obtaining Authorization for Campus-Based Funding

Summary

This chapter provides an overview of fiscal matters that pertain to the campus-based programs (Federal Supplemental Educational Opportunity Grant [FSEOG], Federal Work-Study [FWS], and Federal Perkins Loan). Topics discussed include the funding process, federal and nonfederal shares of funding, administrative cost allowance, and funds available for awards.

To make *The Blue Book* a more effective reference tool, the formulas for determining nonfederal shares, administrative cost allowance (ACA), and the amount of funds available for making awards are also discussed in this chapter.

Key Terms*

- administrative cost allowance (ACA)
- allocation
- base guarantee
- carry back
- carry forward
- community-service jobs
- Electronic Statement of Account (ESOA)
- excess liquid capital
- Federal Capital Contribution (FCC)
- Federal Perkins Loan Program
- Federal Supplemental Educational Opportunity Grant (FSEOG)
- Federal Work-Study (FWS)
- Final Funding Authorization
- Fiscal Operations Report and Application to Participate (FISAP)
- Institutional Capital Contribution (ICC)
- Job Location and Development (JLD) Program
- level of expenditure (LOE)
- nonfederal share
- work college
- Work-Colleges Program

***Key terms are in boldface type when they first appear in the text.**

3.1 Funding Process

The U.S. Department of Education (ED) allocates campus-based funds to schools that, in turn, administer the funds on behalf of ED according to applicable laws and regulations. These programs are referred to as "campus-based" because they are administered directly by schools rather than by ED.

To receive campus-based funds, eligible institutions must apply for the funds annually. Schools also must report on their use of campus-based funds on an

Reference:

- *Student Financial Aid Handbook, Volume 4: Campus-Based Common Provisions*

Reference:

- See Chapter 6 of this book.

annual basis. The report used to satisfy both these requirements is the **Fiscal Operations Report and Application to Participate (FISAP).**

Applying for Federal Campus-Based Funds

Reference:

- *Federal Register*, September 19, 1997
- DPL CB-01-02
- DPL CB-00-10

Reference:

- See Chapter 6 of this book.

To receive campus-based funds for one or more campus-based programs, schools must submit a FISAP to ED for each award year they wish to receive funds. The deadline for filing the FISAP is October 1 of the calendar year that precedes the award year. For example, to receive campus-based funds for the 2002-03 award year, institutions must have filed a FISAP by October 1, 2001.

All schools that apply are required to use the electronic FISAP. ED no longer provides or accepts paper, diskettes, or the FISAP in a magnetic-tape format. Schools are required to submit their FISAP to ED's campus-based program contractor through the Student Aid Internet Gateway (SAIG) using EDConnect and FISAP for Windows software. The data are processed and returned to the school's SAIG electronic mailbox.

Using the information on the FISAP, ED determines the amount of federal funds the school will receive for the award year for one or more of the campus-based programs. This federal portion of the campus-based award is called an **"allocation."**

Allocating Federal Campus-Based Funds

Reference:

- HEA, Part A, Section 413D
- HEA, Part C, Section 442(a) and (b)
- HEA, Part E, Section 462(a) and (b)
- DPL CB-01-01
- DPL CB-01-03
- DPL CB-99-16
- DCL GEN-98-28

***The base guarantee is the amount a school is guaranteed and is based on the 1999-2000 award year allocations.**

ED calculates a school's allocation of campus-based funds on the basis of allocation formulas prescribed in federal law and funding appropriated by Congress. A timeline illustrating the campus-based program allocation process is on page 3-8. An institution will not receive an allocation that exceeds the amount it requests on its FISAP, even if it is eligible for additional funds.

Beginning with the 2000-01 award year, campus-based allocation formulas changed. Funds in excess of the **base guarantee*** are distributed through a fair-share computation. For the Federal Perkins Loan Program, however, the base guarantee for a specific award year is $0 for any institution with a cohort default rate of 25 percent or higher.

A school can receive two types of campus-based funds allocations: initial and supplemental.

- Initial allocation– the amount that ED first allocates to each participating school, generally in the spring of each year, according to statutory allocation formulas.
- Supplemental allocation–an additional amount of campus-based funds from ED that is allocated on the basis of excess campus-based funds from the previous award year. Supplemental allocations come from the amount of unused campus-based funds returned the previous year by all participating schools.

Each eligible, participating school receives an initial allocation for each campus-based program in which it participates.

By April 1 of each year, ED issues a "Dear Partner" letter that announces the final federal funds available for that award year in each of the campus-based programs. An example of a campus-based allocation "Dear Partner" letter begins below.

MARCH 2001

CB-01-03

"Dear Partner" Letter CB-01-03 (campus-based allocation announcement for 2001-02 award year)

SUMMARY: Information regarding your institution's final funding authorization under the Campus-Based Programs for the 2001-2002 award year.

REFERENCE: The Student Financial Aid Handbook, Campus-Based Programs

Dear Partner:

The federal funds available for the 2001-2002 award year for the Federal Perkins Loan, Federal Work-Study (FWS), and Federal Supplemental Educational Opportunity Grant (FSEOG) programs are as follows:

Program: FWS
Amount: $ 1,011,000,000

Program: FSEOG
Amount: $ 691,000,000

Program: Federal Perkins Loan
Amount: $ 100,000,000

Questions & Answers

Q. How were the Campus-Based awards for my school determined?

A. Your final 2001-2002 funding levels have been determined in accordance with procedures contained in the:

1. Higher Education Act of 1965 (HEA), as amended; and
2. Section 34 CFR Part 673 of the Campus-Based Program Regulations.

You will find in your Student Aid Internet Gateway mailbox a copy of your institution's final funding worksheet for each program which shows the specific steps used to calculate your awards. For line by line worksheet instructions, refer to Dear Colleague CB-01-01 (January) posted on Ed's website *www.ifap.ed.gov*.

Q. What effect did returning more than 10 percent of my 1999-2000 allocation have on my 2001-2002 allocation?

A. The HEA requires that if an institution returns more than 10 percent of its Federal Perkins Loan, FWS, or FSEOG program allocation for an award year, the institution's allocation for that program will be reduced in the succeeding award year by the amount unexpended.

(continued on next page)

(continued from previous page)

Q. How did my request for an underuse of funds waiver affect my allocation?
A. All institutions had an opportunity to request an underuse of funds waiver with their initial 2001-2002 FISAP submission. We have reviewed all waiver requests received and have mailed a separate letter to those institutions showing the Department's decision regarding their requests. Approved waivers are reflected for on the final funding worksheets and for each program in the authorization letter.

There is a line item on each final funding worksheet that reflects increased authorizations for some institutions. Additional funds were awarded according to need as results of the redistribution of the amounts of under use of fund reductions withheld from institutions that either did not submit a waiver request or received a waiver denial.

Q. When will Campus-Based funds become available to my institution?
A. Your award letter and final funding worksheets will be sent by electronic file (message class FFIN02OP) by April 1, 2001. Federal funds for these programs will be posted into your institution's grantee account in the Department's Grant Administration and Payment Systems (GAPS) by July 1, 2001. Payments are to be withdrawn from your grantee account according to the procedures specified in the *Department of Education Payee's Guide*.

Q. Will there be additional FWS funds for the 2001-2002 Award Year?
A. With the exception of $4,000,000 earmarked for Work-Colleges participation, all of the $1,011,000,000 funds appropriated for the 2001-2002 Federal Work-Study Program have been distributed in the initial awarding process. Some institutions may also qualify for reallocated supplemental FWS funds. An application with specific qualifications is included in your FISAP software (Reallocation Form E40-4P).

Q. What is the purpose of the Federal Perkins Loan level of expenditure?
A. If your institution participates in the Federal Perkins Loan Program, the level of expenditure shown on your Perkins final funding worksheet represents the maximum amount the institution is authorized to expend from its loan fund for the 2001-2002 award year. If your institution wants to request an increase in its approved level of expenditure, you may write to the Area Case Director at the regional office that serves your state. A request to increase the authorized level of expenditure will not result in any increase to the Federal Capital Contribution allocation.

Q. Who can help me if I have questions?
A. If you have any questions regarding your 2001-2002 funding levels, please call (202) 708-7741 for assistance.

Sincerely,
Lois Moore
Acting Director
Campus-Based Operations

Along with the April 1 "Dear Partner" letter, ED sends each participating school an electronic **Final Funding Authorization** to notify the school of its final allocation for each campus-based program. This **Electronic Statement of Account (ESOA)** is sent as an electronic file and can be printed.

The ESOA is sent to each participating school's SAIG mailbox, and it is a school's authorization to spend up to the amount of federal funds listed for each campus-based program in which it participates and for which it has requested funds. Below is an example of an ESOA.

Sample Electronic Statement of Account (ESOA) for the 2001-02 award year

```
                      U.S. DEPARMENT OF EDUCATION
                    OFFICE OF STUDENT FINANCIAL ASSISTANCE

                                                         2001-2002 Award Year
                                                        Campus-Based Programs
                                                         Statement of Account

OPEID: 00632700
Grantee DUNS Number: 826407329
Institution Name: Maury University
City: Rockville
State: MD

Grant Period: July 1, 2001 through June 30, 2002

Federal Supplemental Educational Opportunity Grant Program
GAPS Award Number: P007A84467
Transaction Amount              Transaction Date
      $800,000                        03/20/2001
____________
      $800,000    P007A84467 authorization amount as of 03/20/2001

Federal Work-Study Program
GAPS Award Number: P033A84467
Transaction Amount              Transaction Date
      $692,065                        03/20/2001
___________
      $692,065    P033A84467 authorization amount as of 03/20/2001

Federal Perkins Loan Program FCC
GAPS Award Number: P038A84467
Transaction Amount              Transaction Date
      $10,000                         03/20/2001
__________
      $10,000     P038A84467 authorization amount as of 03/20/2001
```

Included with a school's Final Funding Authorization is the school's Final Funding Worksheet. The worksheet shows the actual numbers that were used to determine a school's allocation for each campus-based program in which it participates and how each final allocation was determined. Below is an example of a Final Funding Worksheet.

Sample Final Funding Worksheet for the 2001-02 award year

```
03/24/2001                          INSTITUTIONAL WORKSHEET
State: MD                           FWS FINAL FUNDING 2001-2002

(01) MAURY UNIVERSITY
(02) 001752 00632700
(03) 153091456A1
(04) FWS Request                                           $900,000
(05) FWS National Total of Funds Available             $931,000,000
(06) Base Guarantee                                        $692,065
(07) National Total of Base Guarantees                 $657,426,611
(08) Base Guarantee Percentage Fundable                  100.000000
(09) Adjusted Base Guarantee                               $692,065
(10) Average Under-Grad Tuition and Fees                     $1,173
(11) Average Under-Grad Time in Attendance                     9.00
(12) Living Cost Allowance                                   $5,565
(13) Books and Supplies Allowance                              $450
(14) Average Under-Grad Cost                                 $7,188
(15) 25% of Average Under-Grad Cost                          $1,797
(16) Under-Grad Self Help Need                      $11,912,220.0
(17) Average Graduate Tuition and Fees                           $0
(18) Average Graduate Time in Attendance                       0.00
(19) Living Cost Allowance                                   $5,565
(20) Books and Supplies Allowance                              $450
(21) Average Graduate Cost                                   $6,015
(22) Graduate Self Help Need                                   $0.0
(23) Total Self Help Need                             $11,912,220.0
(24) National Total Self Help Need                $21,299,082,297.6
(25) Relative FWS Need                                    0.0005593
(26) Fair Share                                            $520,708
(27) National Funds Available for Fair Share           $273,573,389
(28) Shortfall                                                   $0
(29) National Total of Shortfalls                      $382,564,019
(30) Relative Shortfall                                   0.0000000
(31) Initial Fair Share Increase                                 $0
(32) Additional Fair Share Increase                              $0
(33) Total Fair Share Increase                                   $0
(34) Total FWS Allocation                                  $692,065
(35) Under Used Percentage***                                  0.00
(36) Allocation Reduction***                                     $0
(37) Redistribution of Underutilization Reduction                $0
(38) Adjusted FWS Allocation***                            $692,065
Please refer to cover letter for explanation of items with ***
```

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Reference:
- See Section 4.10 of this book.

If schools do not use their total allocations of campus-based funds during an award year, they should return unexpended allocations of federal funds to ED so that the money can be reallocated to schools that need additional campus-based funds (called supplemental allocations). This return of a school's unexpended allocated funds is called "releasing campus-based" funds.

Reference:
- DPL CB-00-11
- 34 CFR 675.1
- DPL CB-00-12

Each year in June, ED sends a Campus-Based Reallocation Form (E40-4P) to schools participating in the FWS Program. The form is completed and sent to ED only if a school is releasing campus-based funds or if a school is requesting supplemental FWS funds. Supplemental allocations for the Federal Perkins Loan and FSEOG Programs are based on whether the school has a fair share short-fall and unmet request on the FISAP. Supplemental allocation notifications are sent to schools electronically.

Reference:
- 34 CFR 673.4(d)(3)

If a school returns more than 10 percent of its total allocation (initial plus supplemental) the allocation for that program for the second succeeding award year will be reduced by that dollar amount, *unless* the school can show just cause for underusing the funds. To do this, a school submits a waiver request; ED decides whether the request is approved or denied. ED may waive the funding reduction if it finds that enforcing the reduction would be counter to the interests of the affected campus-based program(s).

A school's total drawdowns from the Grant Administration and Payment System (GAPS) for a campus-based award should equal the federal expenditures reported for each campus-based program on its FISAP.

A timeline of the campus-based program(s) allocation process for the 2002-03 award year is on the next page.

Campus-Based Program(s) Allocation Timeline for the 2002-03 Award Year

August 1, 2001 - ED distributes the FISAP electronically, (the Fiscal Operations Report for the 2000-01 award year and the Application to Participate for the 2002-03 award year) to participating schools

No later than October 1, 2001 - Schools' deadline to complete and send the FISAP to ED

November 15, 2001 - ED sends FISAP edits to schools, if necessary

No later than December 15, 2001 - Schools' deadline to return any needed FISAP edits to ED

2001

2002

February 1, 2002 - ED distributes tentative campus-based program award levels to participating schools

February 15, 2002 - Last day for schools to appeal tentative campus-based awards

March 1, 2002 - Appeals process to be completed by ED

April 1, 2002 - Final campus-based allocations (awards) sent electronically to participating schools

July 1, 2002 - Campus-based funds available for draw down from GAPS

2002

2003

June 30, 2003 - Campus-based funds not used during the 2002-03 award year must be returned to ED for reallocation

July 2003 - Schools requesting supplemental FWS allocations for 2003-04 do so by filing the Campus-Based Reallocation Form (E40-4P)

September 2003 - Schools receiving supplemental allocations for the 2003-04 award year from unused 2002-03 campus-based funds are notified by ED

3.2 Federal and Nonfederal Shares of Funding

Reference:
- 34 CFR 674.2
- 34 CFR 674.8
- 34 CFR 674.19(c)

The total amount that a school may spend on any campus-based program is composed of both federal and nonfederal funds. For each program, there are rules for determining what share of the total amount may come from federal funds and what share of the total amount must come from nonfederal funds.

Federal Perkins Loan Program

The amount of new **Federal Perkins Loan Program** funds provided to a school for an award year by the federal government is called the **Federal Capital Contribution (FCC)**. Schools must provide an additional share from their own funds called the **Institutional Capital Contribution (ICC)**. The ICC must equal or exceed:

- one-third (33 1/3 percent) of the FCC *or*
- one-quarter (25 percent) of the combined FCC and ICC.*

***However, if a school transfers Federal Perkins Loan funds to either FSEOG or FWS before depositing those funds in the school's Federal Perkins Loan fund, the school does not have to provide an ICC match for the transferred funds.**

For example, if a school received an FCC of $30,000, it would be required to provide an ICC of at least $10,000, for a combined amount of $40,000. The FCC ($30,000) *divided by* .3333 *equals* $40,000 *minus* $30,000 *equals* $10,000.

Level of Expenditure (LOE)

Reference:
- DPL CB-99-16

The **level of expenditure (LOE)** is the maximum dollar amount that ED allows a school to expend from the school's loan fund in a given award year. This includes all authorized expenditures for the program, such as all loans to students, administrative cost allowance, and collection costs. The LOE equals the total of FCC, ICC, funds available from the school's projected collection of Federal Perkins Loans in repayment, estimated Perkins Loan cancellation reimbursements, and anticipated cash on hand (FCC + ICC + collected loans + cancellation reimbursements + cash on hand = LOE). To ask for an increase in their LOE, schools make the request through the appropriate ED Area Case Director of the regional Case Management Team that serves their state. The telephone numbers for the case management teams and divisions are found on page 4 of Appendix D.

The legislative requirement included in Section 466 of the Higher Education Act of 1965, as amended (HEA) requires the return of excess Federal Perkins Loan funds when available resources exceed a school's needs in the foreseeable future. A school has **excess liquid capital** in its Federal Perkins Loan fund if funds available (cash on hand, plus projected collections, plus Federal Capital Contribution [FCC] and Institutional Capital Contribution [ICC], plus interest income and cancellation repayments) for the current award year significantly exceed the award year's total expenditures from the fund. Schools are encouraged to disburse any identified excess cash during the award year;

otherwise, they should return any excess Federal Perkins Loan funds to ED's National Payment Center.

The reported cash on hand amount as of June 30th should be updated as of October 31, during the Fiscal Operations Report and Application to Participate (FISAP) edit process. The appropriate sections of the FISAP must be completed annually to reflect cumulative and annual collection and disbursement activity in its revolving loan fund. Schools should request FCC only when its cash on hand has been depleted.

Federal Work-Study (FWS) Program

Federal Share and Nonfederal Share

Reference:
- *Student Financial Aid Handbook, Volume 4: Campus-Based Common Provisions*
- 34 CFR 675.26
- HEA, Section 443(b)(5)

In general, the federal share of **Federal Work-Study (FWS)** wages paid to a student may not exceed 75 percent. (The 75 percent applies to expenditures for FWS wages, not administrative cost allowance.) Schools must provide at least 25 percent of a student's total FWS wages from nonfederal sources. For example, if a school wanted to spend $45,000 of its FWS federal funds for student wages, it would be required to provide at least $15,000 in nonfederal funds. A total of $60,000 would then be available to pay student wages under the school's FWS Program.

There are situations when the ratio of federal share to **nonfederal share** of 75 percent/25 percent does not apply.

- *Schools are allowed to provide more than the required minimum 25 percent nonfederal share.* For example, if a school received $60,000 in federal funds and wished to spend a total of $100,000 for student FWS wages, it may spend $40,000 of nonfederal funds to do so. In this example, the federal share of students' total earned compensation under the FWS program expenditures would be 60 percent, while the nonfederal share would be 40 percent.

Reference:
- 34CFR 675.23(b)(2)(i)

- *For off-campus FWS jobs with private, for-profit organizations, the federal share of wages paid to students is limited to 50 percent.* The for-profit organization must provide a nonfederal share of at least 50 percent. The employer may contribute a nonfederal share that exceeds the required 50 percent. However, an institution may use no more than 25 percent of its total current year initial and supplemental allocations to pay wages to students employed with private, for-profit organizations.

Reference:
- DPL CB-99-12
- DCL CB-98-6
- DCL CB-97-12

- *The federal share of compensation paid to students employed as reading tutors for children, mathematics tutors for children, or in a family literacy project performing family literacy activities may exceed 75 percent and may be as high as 100 percent, as documented in the school's accounting records.*

- *The federal share can be as much as 90 percent and the nonfederal share can be as little as 10 percent for students employed at a private, nonprofit organization or at a federal, state, or local public agency under specific circumstances.* Only organizations that are unable to afford the cost of this employment are eligible to pay a reduced nonfederal share. In addition, the school may not own, operate, or control the organization, and the school must select the organization or agency on a case-by-case basis. No more than 10 percent of a school's FWS students may benefit from this provision.

Reference:
- 34 CFR Parts 607-609

- *The federal share can be 100 percent for an institution designated as eligible under Title III of the HEA (the Strengthening Institutions Program, the Strengthening Historically Black Colleges and Universities Program, or the Strengthening Historically Black Graduate Institutions Program).* Schools wanting a waiver of the institutional-share requirement in the FWS Program because of their Title III designation are no longer required to check a field on the FISAP to request this waiver. Beginning with the 2002-03 award year, a school will be considered to have applied for this waiver if the school:
  - submits a complete FISAP by October 1, 2001 *and*
  - is designated as Title III eligible.

These schools will receive a letter from ED, addressed to the financial aid administrator, indicating that they have been granted a Title III waiver of the institutional-share requirement for the FWS and/or FSEOG programs for the 2002-03 award year. A school that receives this waiver for the 2002-03 award year has the option to continue providing an institutional share and determining the amount of that share.

Institutions must apply annually for a Title III designation. If a school is unsure of its Title III eligibility for the 2002-03 award year, or if it needs to apply for Title III eligibility, the school should contact:

U.S. Department of Education
Institutional Development Undergraduate Education Service
Title III Eligibility Designation
1990 K Street, NW, 6th Floor
Washington, DC 20006-8512

Telephone: 202-502-7777

Nonfederal Share Sources

Reference:
- 34 CFR 675.27

The nonfederal FWS share may come from any resource available to a school (except funds allocated under the FWS Program):

- The school can pay the nonfederal share from its own funds or other nonfederal sources, outside funds from an off-campus employer, or a combination of these types of funds.
- The school can also pay the nonfederal share in the form of documented noncash contributions of services and equipment (such as

tuition and fees, room and board, books, and supplies) documented by accounting entries.

Reference:

- HEA, Part C, Section 441(c)
- HEA, Part C, Section, 443 (b)(2)
- 34 CFR 675.18(g)
- DPL CB-00-8

Community-Service Jobs

The HEA requires schools to spend a portion of their FWS total allocations (initial and supplemental) to compensate students working in **community-service jobs**. A community-service job is defined as an activity that improves the quality of life or solves a problem for a community's residents, especially its low-income residents. Examples of community services include healthcare, child care, public safety, crime prevention and control, rural development, and community improvement. These services must be open to the entire community.

New

Reference:

- DCL CB-01-04

Effective the 2000-01 award year, a school must use at least 7 percent of its annual FWS total allocations (initial and supplemental) to pay the federal share of wages to students working in community-service jobs. In meeting the 7 percent community-service expenditure requirement, one or more FWS students must be employed in at least one reading-tutoring project as a reading tutor for children who are preschool age or are in elementary school, or in a family literacy project performing family literacy activities. A school may request a waiver of this requirement; the request must be in writing. ED approves this type of waiver only if it determines that a school has demonstrated that enforcing the requirement would cause a hardship for its students.

To request a waiver for an award year, a school must send a waiver request and any supporting information or documentation to ED by the established deadline date of that award year. If a school has any questions about the community-service expenditure requirements or waiver procedures, the school can contact ED's Campus-Based Operations at 202-708-9751.

In an effort to increase the reading and math proficiency among our youth, tutoring in these areas has become a federal priority. The FWS regulations authorize a 100 percent federal share of FWS wages earned by a student who is employed:

- as a reading tutor for preschool-age through elementary-school-age children,
- as a mathematics tutor for children in elementary school through ninth grade, *or*
- performing family literacy activities in a family literacy project that provides services to families with preschool-age children or children who are in elementary school.

The work performed by the student must be for the school itself; for a federal, state or local public agency; or for a private, nonprofit organization. A school is not required to make a request to ED to be able to pay these FWS students' wages with a 100 percent federal share from FWS funds. Instead, the school should use 100 percent federal dollars to pay these students and document this on both its FISAP and its internal accounting records.

Reference:
- 34 CFR 675.18(h)
- HEA, Part C Section 443(b)

Payment for Training and/or Travel

A student may be paid for training for any FWS employment or for a reasonable amount of time for travel that is directly related to a community-service job.

Because every job requires some type of training, whether formal or informal, ED allows FWS students to be paid wages during a training period that is conducted for a "reasonable" length of time. This applies regardless of the type of FWS job the student has. A reasonable training period is one that occurs immediately before the student begins the regular duties of the FWS employment and does not exceed approximately 20 hours. Students also may be compensated for a reasonable amount of time to perform ongoing activities (for example, preparation and evaluation time) needed to accomplish their jobs.

Schools may pay students for a reasonable amount of time spent for travel that is directly related to employment in community-service activities. Time spent for travel should be reported on the student's FWS time record in the same way hours actually worked are currently reported. Schools should provide their students with a time record that separates time spent in travel from actual hours worked.

Reference:
- HEA, Part C, Section 442(d)
- DCL CB-98-6

Reallocated FWS Funds

Beginning with the 2000-01 award year, unexpended FWS funds returned to ED will be reallocated to each eligible school that used at least 5 percent of its total FWS allocations to pay students employed as reading tutors or in family literacy activities in the preceding award year.

When a school receives reallocated FWS funds, the minimum amount of FWS federal funds the school must expend on community-service jobs is the greater of the following two amounts:

- 7 percent of the total (initial and supplemental) FWS allocation, *or*
- 100 percent of the amount of the reallocated FWS funds.

Reference:
- 34 CFR 675.31-675.37

Job Location and Development (JLD) Program

The Job Location and Development (JLD) Program enables schools to expand off-campus job opportunities for currently enrolled students who want jobs regardless of their financial need. The JLD Program also may be used to locate off-campus jobs for FWS students. JLD funds are not to be used to pay students whose jobs were located and developed through the JLD Program.

A school may use up to 10 percent or $50,000 (whichever is less) of its FWS allocation to establish or expand a program to locate and develop off-campus jobs, including community-service jobs. Jobs located or developed under the program may be for either profit or nonprofit employers.

The federal funds that a school sets aside from its FWS allocation for JLD Program expenses may be used to pay up to 80 percent of allowable costs. The school must provide the remaining 20 percent of allowable costs either in cash or in services, as documented in accounting records.

Reference:
- 34 CFR 675.41-675.50

Work-Colleges Program

A **"work college"** is defined as an eligible public or private, nonprofit school with a commitment to community service. The school must:

- have operated a comprehensive work-learning program for at least two years,
- require all students who reside on campus to participate in a comprehensive work-learning program,
- have a program that requires providing service as an integral part of the school's educational program and as part of the school's educational philosophy, *and*
- provide students in the comprehensive work-learning program with an opportunity to contribute to their education and to the welfare of the community.

Schools that satisfy the HEA definition of "work college" may apply to ED to participate in the program. In addition to federal appropriations, schools can transfer FWS and/or new FCC funds for Federal Perkins Loans to the **Work-Colleges Program.**

Reference:
- HEA, Part C, Section 448
- 34 CFR 675.45

Work colleges may use available program funds to coordinate and carry out the following six activities:

1. Support the educational costs of qualified students through self-help payments or credits provided under the work-learning program (within the limits of Part F of Title IV of the HEA);
2. Promote the work-learning service experience as a tool of postsecondary education, financial self-help, and community-service learning opportunities;
3. Carry out activities in Sections 443 or 446 of the HEA (grants to FWS Programs);

4. Administer, develop, and assess comprehensive work-learning programs, including community-based, work-learning alternatives that expand opportunities for community service and career-related work and alternatives that develop sound citizenship, encourage student persistence, and make optimum use of assistance under the Work-Colleges Program in education and student development;
5. Coordinate and carry out joint projects and activities to promote work-service learning; *and*
6. Carry out a comprehensive, longitudinal study of student academic progress and academic and career outcomes, relative to student self-sufficiency in financing their higher education, repaying student loans, continued community service, kind and quality of service performed, and career choice and community service selected after graduation.

Federal Supplemental Educational Opportunity Grant (FSEOG) Program

Reference:

- *Student Financial Aid Handbook, Volume 4: Campus-Based Common Provisions*

34 CFR 676.21(a)
34 CFR Parts 607-608

The federal share of **Federal Supplemental Educational Opportunity Grant (FSEOG)** awards made to students may not exceed 75 percent of the total FSEOG awards made by the school. The school must ensure there is a nonfederal match of 25 percent of the total FSEOG awards.

- The federal share can be 100 percent for an institution designated as eligible under Title III of the HEA (the Strengthening Institutions Program or Strengthening Historically Black Colleges and Universities Program). Schools wanting a waiver of the institutional-share requirement under the FSEOG Program are no longer required to check a field on the FISAP to request this waiver. Beginning with the 2002-03 award year, a school will be considered to have applied for this waiver if the school:
  - submits a completed FISAP by October 1, 2001 *and*
  - is designated as Title III eligible.
- These schools will receive a letter, addressed to the financial aid administrator, from ED indicating that they have been granted a Title III waiver of the institutional-share requirement for the FSEOG program for the 2002-03 award year. A school that receives this waiver for the 2002-03 award year has the option to continue providing an institutional share and determining the amount of that share.

There are three methods by which an institution may meet the 25 percent nonfederal share requirement for FSEOG:

- *Individual recipient basis*—The school ensures that the nonfederal match is made to each individual FSEOG recipient together with the federal share in such a way that each student's total FSEOG award consists of 75 percent federal dollars and 25 percent qualified nonfederal dollars. A school using this method calculates and documents on a student-by-student basis what portion of the student's FSEOG award comes from federal funds and what portion comes from nonfederal funds.
- *Aggregate basis*—The school ensures that the sum of all funds awarded to all FSEOG recipients in a given award year consists of 75 percent federal dollars and 25 percent qualified nonfederal dollars. A school using this method calculates and documents on an aggregate basis what portion of total federal *and* qualified nonfederal dollars awarded to all FSEOG recipients comes from federal funds and what portion comes from nonfederal funds.
  - For example, if a school awards a total of $60,000 to all FSEOG recipients in an award year, it must ensure that $45,000 comes from federally allocated funds and $15,000 comes from nonfederal funds. The school may meet this requirement by awarding qualified nonfederal funds to FSEOG recipients on a student-specific basis. For example, if the school makes a total of $60,000 in FSEOG awards to a total of 100 students, the entire nonfederal share may be met by awarding a total of $15,000 in nonfederal resources to only five FSEOG recipients. However, each FSEOG recipient must receive some FSEOG federal funds.
- *Fund-specific basis*—The school establishes an FSEOG fund for federal program funds and deposits the required 25 percent qualified nonfederal matching share into the fund. Awards to FSEOG recipients are then made from this "mixed" fund. A school using this method first creates a pool of funds containing 75 percent federal dollars and 25 percent nonfederal dollars, then makes FSEOG awards to students from this pooled fund. Once the federal and qualified nonfederal funds are combined, they lose their separate identities. For the purpose of a return of Title IV funds calculation, 100 percent of the funds are considered federal.

The nonfederal share of FSEOG funds must come from nonfederal resources such as institutional grants and scholarships, tuition or fee waivers, state scholarships and grants, and foundation or other charitable organizational funds.

However, the portion of a state scholarship or grant that comes from the Leveraging Educational Assistance Partnership (LEAP) Program (previously known as the State Student Incentive Grant [SSIG] Program) or the Special Leveraging Educational Assistance Partnership (SLEAP) Program cannot be used for the nonfederal share.

Reference:
- 34 CFR 676.21(c)
- 34 CFR 692

Reference:
- DPL CB-00-13
- DPL CB-99-15
- DCL CB-98-15

Annually, ED identifies the percentage of each state's scholarships that can be used to provide the nonfederal share of FSEOG awards. Each school then can apply the appropriate state percentage to the state scholarships and grants its students receive to determine the total amount of state scholarships and grants that may be used to meet the FSEOG nonfederal share requirement.

- For example, if a student receives a grant of $600 from a state where 91.56 percent of state funding can go toward FSEOG awards, the school multiplies 91.56 percent by $600. The result is $549, which is the portion of the grant that the school may use to meet the nonfederal share of an FSEOG award.

3.3 Administrative Cost Allowance (ACA)

Schools participating in the campus-based programs are entitled to an **administrative cost allowance (ACA)** from their campus-based program funds. The ACA is part of the institution's total program expenditures, not an additional allocation. An example of an ACA calculation is on the next page.

A school may take its ACA out of its annual FSEOG and FWS allocations and from cash on hand in its Federal Perkins Loan fund. A school may also draw its ACA from any combination of campus-based programs or it may take the total ACA from one program, provided there are sufficient funds in that program. However, a school may not draw any part of its ACA from a campus-based program *unless* it disbursed funds to students from that program during that award year.

If a school charges an ACA against its Federal Perkins Loan fund, it must charge these costs during the same award year in which the expenditures for these costs were made.

Schools may claim an ACA to help them defray the costs of administering the campus-based and Federal Pell Grant programs, such as salaries, supplies, and equipment. The ACA may also be used to pay service fees charged by banks for maintaining campus-based program accounts, including a school's Federal Perkins Loan fund, and for expenses related to student consumer information requirements.

Reference:

- *Student Financial Aid Handbook, Volume 4: Campus-Based Common Provisions*
- 34 CFR 673.7
- DPL CB-00-10

The amount of ACA a school may claim is determined by its expenditures for the campus-based programs in which it participates, excluding the amount of Federal Perkins Loans assigned to ED. Here "expenditures" means:

- FSEOG disbursements (grants made) to students (this includes both the 75 percent federal share and the 25 percent nonfederal share),
- FWS gross compensation (wages paid) to students (this includes the total federal and nonfederal shares), *and*
- Federal Perkins Loan advances (loans made) to students.

ACA is calculated as a percentage of a school's campus-based program expenditures, as follows:

- 5 percent of the first $2,750,000 of expenditures, *plus*
- 4 percent of expenditures greater than $2,750,000 but less than $5,500,000, *plus*
- 3 percent of expenditures that are $5,500,000 or more.

Some schools do not claim an ACA so that all the funds can be used for student awards. This option is the school's decision.

Example of an Administrative Cost Allowance (ACA) Calculation

In the 2000-01 award year, A+ University had qualified campus-based expenditures of $10,000,000. The school fiscal office determined the school's total administrative cost allowance (ACA) in the following way:

Part 1 –
(5 percent of the first $2,750,000 of expenditures)

$2,750,000 multiplied by 5% equals **$137,500**

Part 2 –
(4 percent of expenditures greater than $2,750,000 but less than $5,500,000)

$5,499,999 minus $2,750,001 equals $2,749,998

$2,749,998 multiplied by 4% equals $109,999.92, which was rounded up to **$110,000**

Part 3 –
(3 percent of expenditures $5,500,000 or more)

$10,000,000 minus $5,500,000 equals $4,500,000

$4,500,000 multiplied by 3% equals **$135,000**

A+ University's fiscal officer added the totals of all three parts and determined the school's ACA for the 2000-01 award year:

$137,500 *plus*
$110,000 *plus*
$135,000 *equals*
$382,500 – ***total allowable ACA***

For the 2000-01 award year, A+ University's total allowable administrative cost allowance is $382,500.

3.4 Funds Available for Awards

Schools may transfer funds from certain campus-based programs into certain other campus-based programs. Schools may also carry FWS or FSEOG funds back to the previous year or forward to the next year.

Transferring Funds Between Campus-Based Programs

Reference:

- 34 CFR 674.18(b)
- 34 CFR 675.18(e)
- 34 CFR 676.18(b)

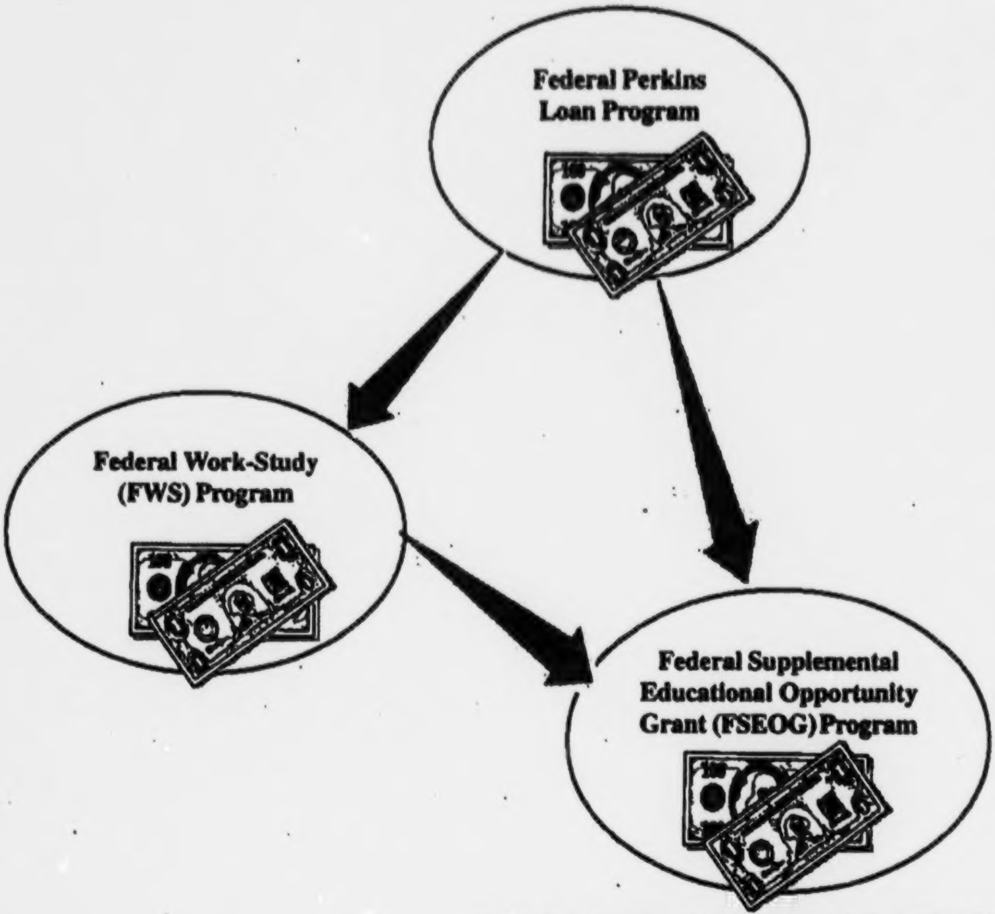
Schools may not transfer funds *from* their FSEOG funds to another campus-based program.

A school may transfer up to 25 percent of its total FWS federal allocation *to* FSEOG. This 25 percent maximum is based on a school's current award year allocation and includes both initial and supplemental FWS allocations. FWS funds carried forward to the next year or carried back to the previous year do not change the basis for the 25 percent maximum transfer. A school may transfer up to 25 percent of its annual Federal Perkins Loan allocation to FSEOG and/or FWS. The total transfer cannot exceed 25 percent of the Federal Perkins Loan allocation, whether it is made only to one program or divided between the two programs.

Transferred funds must be spent according to the requirements of the program to which they have been transferred. Any transferred funds that are not spent by the end of the award year in which the transfer was made must be returned to the original program.

A flowchart illustrating the transfer of funds between campus-based programs is on the next page.

Transferring Funds Between Campus-Based Programs


Federal Perkins Loan Program
Federal Work-Study (FWS) Program
Federal Supplemental Educational Opportunity Grant (FSEOG) Program

Note: Funds cannot be transferred *from* FSEOG.

FWS and FSEOG Carry Forward and Carry Back

A school may **carry forward** some of its FWS and FSEOG funds in a given award year to the next award year. Before a school may spend its current year's allocation, it must spend any funds carried forward from the previous year. A school may also **carry back** some of its current year's allocation (initial and supplemental) for expenses incurred in the previous award year. The official allocation letter for a specific period is the school's authority to exercise this option.

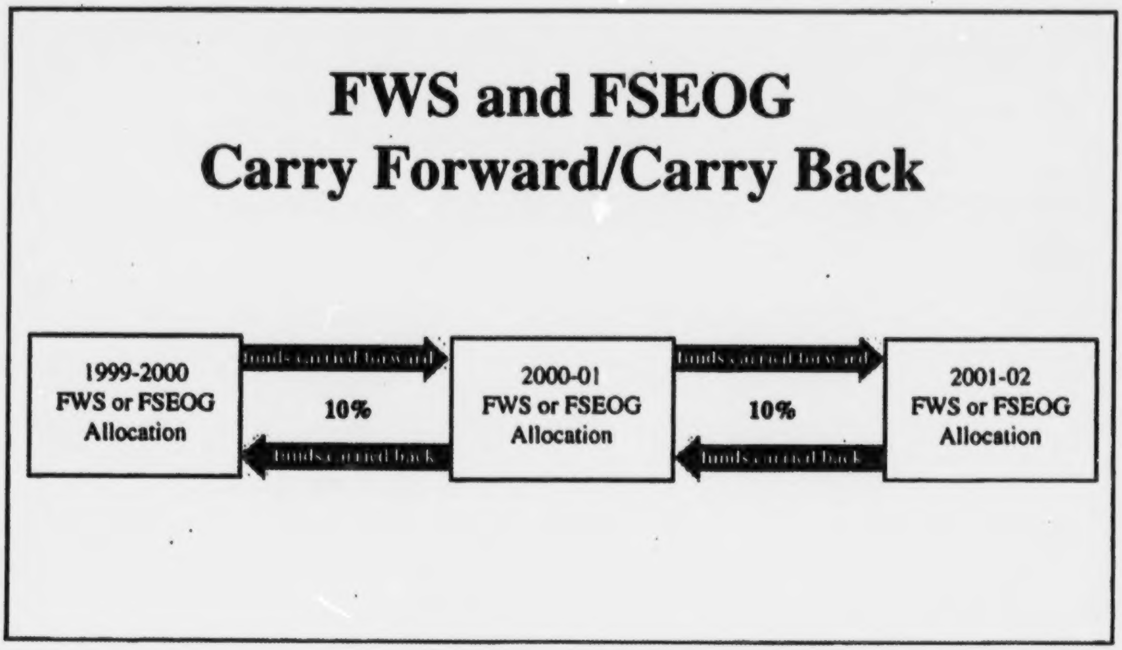
Schools are allowed to:

- carry forward up to 10 percent of the previous year's FWS or FSEOG allocation to cover expenditures in the current award year,
- carry forward up to 10 percent of the current year's FWS or FSEOG allocation to cover expenditures in the next award year,
- carry back up to 10 percent of the current year's FWS or FSEOG allocation to cover expenditures incurred in the preceding award year, *and*
- carry back up to 10 percent of the next year's FWS or FSEOG allocation to cover expenditures incurred in the current award year.

A flowchart illustrating how FWS and FSEOG funds may be carried forward and carried back is below.

Reference:

- 34 CFR 676.18(c)-(f) for FSEOG
- 34 CFR 675.18(b)(c)(d) for FWS
- HEA, Part A, Section 413E
- HEA, Part C, Section 445



Carry Back Funds for Summer FWS Employment and FSEOG Awards

Schools may also carry back and expend in the previous award year any portion of their FWS allocations for the current award year to pay student wages earned from May 1 through June 30 of the previous award year (that is, for summer employment). Similarly, schools may carry back any portion of their FSEOG allocation for the current award year to pay FSEOG awards for payment periods that begin on or after May 1 of the previous award year but end before the beginning of the current award year.

Chapter 4

Requesting, Managing, and Returning Title IV Funds

Summary

This chapter contains guidelines that schools must follow to ensure sound cash management practices. Much of the information in this chapter is based on the cash management regulations contained in 34 CFR 668, Subpart K. These regulations establish uniform rules and procedures that a school must follow to request, maintain, disburse, return, and otherwise manage Title IV program funds.

Key Terms*

- Actual Disbursement Roster (ADR)
- advance payment method
- allowable charges
- Anticipated Disbursement Listing (ADL)
- Automated Clearinghouse (ACH)
- award period
- cash monitoring
- cash on hand (COH)
- closeout period
- credit balance
- current value of funds rate
- delayed disbursement
- delivery
- disbursement
- Education Central Automated Processing System (EDCAPS)
- electronic funds transfer (EFT)
- Electronic Statement of Account (ESOA)
- enrolled
- excess cash
- excess funds
- Federal Reserve Bank (FRB)
- FEDWIRE
- generally accepted accounting principles (GAAP)
- Grant Administration and Payment System (GAPS)
- idle cash
- immediate need
- issuing checks
- just-in-time payment
- liquidation period
- master check
- multiple disbursement
- Office of the Chief Financial Officer (OCFO)
- payment period
- peak enrollment period
- performance period
- period of enrollment
- Recipient and Financial Management System (RFMS)
- reimbursement payment
- return of Title IV funds
- suspension period
- UCC-1 statement

***Key terms are in boldface type when they first appear in the text.**

Reference:

- 34 CFR 668.161-167
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- *SFA Audit Guide 2000*

4.1 Overview of Cash Management

Schools that participate in Title IV programs are responsible for establishing and maintaining an internal financial management system that effectively:

- promotes sound cash management of Title IV funds,
- minimizes the financing cost to the federal government for making Title IV funds available to schools and students, *and*
- minimizes costs that accrue for students and parents who receive Title IV loans.

To ensure adequate cash management practices, a school must have in place a cash management system that adheres to federal regulations and other standards. A school's cash management practices are governed by:

- **generally accepted accounting principles (GAAP),**
- standards prescribed by the federal Office of Management and Budget (OMB),
- U.S. Department of Treasury regulations, *and*
- U.S. Department of Education (ED) regulations.

At a minimum, a school should establish internal cash management standards and practices to ensure that:

- the school official who authorizes requests for Title IV funds knows the school's available Title IV funds balance when making requests;
- the cash balance maintained for all Title IV programs is no more than the minimum needed to cover immediate disbursements (referred to as "immediate need");
- the school's cash management system tracks drawdowns and disbursements of funds, showing that for every drawdown there is an equal **disbursement** (however, this is not necessarily the case for upward or downward adjustments); *and*
- the school's cash management system contains adequate controls so the school does not spend more funds than it has authority to spend (except in limited circumstances, a school may not request or hold **excess funds** for future disbursements).

Adhering to cash management guidelines assures ED a school is financially responsible with federal funds.

4.2 Projecting Cash Needs

A school on the **advance payment method** must determine the amount of funds it needs before it transmits a request to the **Grant Administration and Payment System (GAPS)**. The amount requested must be limited to the minimum amount needed to make disbursements, so excess funds do not exist after disbursements are made. The amount must be enough to meet:

- Federal Pell Grant disbursements to students,
- the federal share of Federal Supplemental Educational Opportunity Grant (FSEOG) disbursements to students and, if it applies, an administrative cost allowance (ACA),
- the federal share of Federal Work-Study (FWS) payroll disbursements and ACA,
- the federal share of Federal Perkins Loan disbursements and ACA, *and*
- Federal Direct Loan disbursements.*

***Direct Loan funding requests must be made separately; they cannot be combined with cash requests for other Title IV funds. In addition, not all Direct Loan schools may request Direct Loan funds directly from GAPS. Standard Origination and Origination Option 1 schools must request funds through the Loan Origination Center (LOC). The LOC then initiates a GAPS payment request for those schools.**

The following equation may be used to calculate projected immediate needs:

	Anticipated Disbursements
minus	Balance of **Cash on Hand**
minus	Anticipated Recoveries
minus	ACH/EFT Cash in Transit
equals	Projected, Immediate Need

In general, a school's request for funds should not exceed its **immediate need.**

Immediate Need

Immediate need is defined as the amount of Title IV program funds a school needs to make disbursements within three business days following the date the school receives the funds. This definition of immediate need applies to all Title IV program funds, regardless of whether the school draws down funds by **electronic funds transfer (EFT)** through **Automated Clearinghouse (ACH)** or through **FEDWIRE**. Receiving amounts beyond immediate need may result in excess cash, and there are penalties for holding excess cash. Because of this, schools may want to carefully review the excess cash tolerances regulation.

Immediate need is determined by the amount of cash a school needs to make disbursements to students within a specified period of time. The specified time period is determined by the type of funds received and the method of disbursement. As long as the school makes disbursements within that time period, including disbursements made by properly **issuing checks**, it has satisfied the immediate need standard.

Reference:

- **34 CFR 668.166(b)**
- **See section 4-32 of this book for information on excess cash tolerances.**

Special Program Considerations

To accurately determine the total amount of Title IV program funds needed to make disbursements, a school must consider certain program-specific student eligibility requirements for each Title IV program.*

Federal Pell Grant Program

A school must pay Federal Pell Grants to students who have a valid Institutional Student Information Record (ISIR) or Student Aid Report (SAR) on file at the school or, if a student has withdrawn, the school received either document before the student withdrew.* A school must establish a system for tracking the status of these documents and determining when a student's Federal Pell Grant award is ready to be paid.

For schools that use the advance payment method, the maximum amount of Federal Pell Grant funds a school may draw down is based on the school's Federal Pell Grant authorization, as reported to the school in its **Electronic Statement of Account (ESOA)**. The first ESOA (the initial authorization) received by a school for an award year contains ED's estimate of the amount of funds the school will need to make first disbursements to students. As the award year progresses, the school receives adjusted Pell Grant drawdown authorizations on the basis of student payment information it reports.

***Students must meet other eligibility requirements as well. See Chapter 1 of this book for more information about eligible students.**

Reference:
- 34 CFR 668, Subpart C

Campus-Based Programs

Each campus-based program—Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Federal Perkins Loan—requires that awards made to students be a combination of both federal and nonfederal funds.

To accurately determine its immediate cash need for campus-based programs, a school must calculate the portion of disbursements from each program that may be made up of federal funds. *The amount of funds drawn down represents the federal share only.*

- For the Perkins Loan Program, if a school deposits its federal funds in its Perkins Loan fund, this eliminates any excess cash condition. However, if a school draws down those funds, it must expend them within three business days. The school is reminded to deposit the school ICC match at the time the federal draw is deposited.

The maximum amount of federal funds a school may draw down from each campus-based program is based on the school's initial allocation and supplemental allocation (for which some schools may be eligible) for that program, as reported to the school in its Final Funding Authorization from ED.

For the FSEOG Program, a school must time its drawdowns to coincide with the date it expects to disburse FSEOG funds to students. FSEOG disbursements

Reference:

- See Chapter 3 of this book for more about campus-based allocations.

must be made within three business days following the date the funds are drawn down and deposited.

For the FWS Program, a school must time its drawdowns to coincide with its payroll dates. A school must estimate the amount of federal funds needed to meet payroll for a given pay period and draw down only the appropriate federal share of wages to be paid. Student wages, in accordance with FWS rules and other wage labor laws (the combined federal and nonfederal share, if it applies), must be paid within three business days following the date funds are drawn down and deposited.

For the Federal Perkins Loan Program, a school must determine whether the cash available in its Federal Perkins Loan fund is sufficient to make loan advances to students. A school may draw down a portion of the Federal Capital Contribution (FCC) it needs to cover disbursements. A school must determine its available funds and draw down only the amount of FCC needed to cover disbursements within three days. A school must time its drawdown of FCC to coincide with the dates it expects to advance (disburse) loans to students.

William D. Ford Federal Direct Loan Program (Direct Loan Program)

Reference:

- http://e-Grants.ed.gov/gapsweb

Reference:

- *Direct Loan School Guide*
- DLB 98-18
- DLB 98-38

Direct Loan funding requests are initiated directly to GAPS only by schools that participate in the William D. Ford Federal Direct Loan Program (Direct Loan Program) under Origination Option 2. The Loan Origination Center (LOC) initiates funding requests for schools that participate under Origination Option 1 and Standard Origination.

Unlike the Federal Pell Grant Program and the campus-based programs, there is no set school allocation or authorization level for the Direct Loan Program. Schools participating in the Federal Direct Loan Program determine drawdown amounts on the basis of the amount of funds needed to make loans to eligible borrowers. The school or the LOC draws down only the net amount of the loan funds. Before ED does their drawdown, loan fees are subtracted from the gross amount.

An Option 2 school estimates the amount of funds it needs to make anticipated disbursements on an ongoing basis. A school can use the Direct Loan Program software or its own school computer software to calculate the amount of funds needed. Loan records flagged in the system as "eligible for payment" will be included in the computer-generated estimate of funds needed. The school may need to adjust this figure to account for Direct Loan funds on hand and anticipated recoveries. For each borrower eligible for a loan payment, the Direct Loan Program software deducts a loan fee of up to 4 percent for Direct Subsidized and Direct Unsubsidized Loans; it deducts a loan fee of 4 percent for Direct PLUS Loans.

A school is not required to collect a signed, completed promissory note from a borrower before *drawing down funds* for that borrower. However, a school may not *disburse funds* to any borrower until it or the LOC (whichever entity is collecting promissory notes) has received the borrower's signed, legally enforceable promissory note.

Timing Issues

When a school initiates a drawdown from GAPS, a school should consider that processing requests within GAPS typically takes one to three business days and whether the school is using ACH/EFT or FEDWIRE. Schools should also be aware of system downtime, federal holidays, and other delays in processing cash requests when determining immediate need.

4.3 Grant Administration and Payment System (GAPS)

EDCAPS

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- GAPS *Payee Guide – August 2000*

ED has a centralized financial management system called the **Education Central Automated Processing System (EDCAPS)**. EDCAPS is designed to integrate ED's separate financial processes, including financial management, contracts and purchasing, grants administration, and payment management.

EDCAPS was put in place to improve ED's financial management performance by integrating three formerly separate system modules into a single system:

- Financial Management Systems Software (FMSS)
- Contracts and Purchasing Support System (CPSS)
- Grant Administration and Payment System (GAPS)

The EDCAPS module that directly affects schools is GAPS.

GAPS Overview

Reference:
- http://e-Grants.ed.gov/

GAPS provides full financial management support services in a single system. Functions supported by GAPS include everything from award authorizations to disbursing funds to final grant close out.

GAPS uses funds-delivery systems and financial management technologies, such as relational databases, Internet technology, and a Windows environment. Using these technologies allows for such customer-service improvements as easy system access to request funds and report expenditures, user-friendly retrieval of award and payment histories, and immediate update and notification of changes in awards, such as authorization changes.

GAPS controls funds for both Title IV and non-Title-IV programs.

In addition, GAPS is the central repository for payment transactions of schools that receive funds* from ED through the **Office of the Chief Financial Officer (OCFO)**. GAPS is a system; OCFO is the office within ED that administers the system. A school uses GAPS to request funds for:

- the Federal Pell Grant Program
- the Federal Supplemental Educational Opportunity Grant (FSEOG) Program
- the Federal Work-Study (FWS) Program
- the Federal Perkins Loan Program
- the Federal Direct Loan Program (Option 2 schools only; Option 1 and Standard Origination schools do not request [drawdown] funds from GAPS, the LOC does it on their behalf.)

When ED implemented GAPS, it changed its procedures for schools that receive and manage ED funds. These procedural changes include how schools request funds.

Accessing GAPS

New

Schools request federal funds electronically using GAPS. To request funds, a school must access the GAPS External Access System through the World Wide Web.

Schools access GAPS on the World Wide Web through e-Payments (formerly GAPSWeb), ED's new portal page for grant administration. E-Payments is part of e-Grants, ED's portal site for electronic grant access.

Reference:

- http://e-Grants.ed.gov/
- GAPS Payee Hotline: 1-888-336-8930

- To log on to GAPS, the user must enter an ID and password.
- To obtain its user ID and password, a school completes the External Security Access form. This form can be accessed through the e-Payments Web site or the GAPS Payee Hotline at 1-888-336-8930. The form can be faxed to 202-401-0006.

The school then requests funds by program (Federal Pell Grant, FSEOG, Federal Perkins Loan, FWS, or Direct Loan). The applicable screen contains the amount of Title IV funds the school has available to draw down.

Alternatively, schools can also call the GAPS Payee Hotline between 8 a.m. and 8 p.m. Eastern Time (ET) to request funds. Requests made after 2 p.m. are not processed by GAPS until the next business day.

- A school may also call the GAPS Payee Hotline if it has problems receiving its payment.

To practice using GAPS, access the e-Payments Web site and click on "GAPS Training." Then enter "gapsuser" as the ID and "training" as the password. The user will be able to enter data for a fictional school, while becoming familiar with the screens.

4.4 Requesting Funds

Reference:
- GAPS *Payee Guide – August 2000*

Reference:
- 34 CFR 668.162

Before discussing how funds are requested, two terms need to be defined – grantee and payee.

Under GAPS, a *grantee* is an entity (not a person) that applies for and receives a grant award from ED; a *payee* is an entity (not a person) identified by the grantee to request and manage federal funds on behalf of the grantee. The grantee and payee may be the same entity or different entities. For Title IV financial aid purposes, the grantee is the financial aid office and the payee is the business office.

Schools request funds for all Title IV program expenditures directly from the federal government, with the exception of the Federal Family Education Loan (FFEL) Program. FFEL Program funds are obtained by schools from banks, savings and loan organizations, credit unions, and other financial institutions that serve as FFEL Program lenders.

Award Periods

Reference:
- GAPS *Payee Guide – August 2000*

***Schools having problems with their program authorizations should contact the appropriate program office. See Appendix D for a list of program offices.**

Before a school requests funds, it should understand the **award periods** for GAPS program authorizations.* The length of the award periods vary by program and authorizing statute. The award period dictates when the payee can request funds. There are four award periods:

1. performance period
2. liquidation period
3. suspension period
4. closeout period

Performance Period

The **performance period** is the period between the grant award (this includes loan funds and FWS) *begin date* and the grant award *end date*. During this period, schools can draw down funds.** However, to do so, schools have to obligate funds to students (such as submitting to ED disbursement records for students eligible for the Federal Pell Grant Program).

****Generally, schools may draw down funds no later than June 30 of the award year of their authorization, unless a post-withdrawal disbursement is due after June 30 for the applicable year. See 34 CFR 668.22 and 668.164(g) for details.**

The performance period is six years and three months from the grant award begin date. During this period:

- payees may request payments,*
- payees may modify payment requests,
- payees may adjust drawdowns, *and*
- changes may be made to the Student Financial Assistance (SFA) Program's grant awards authorizations.

Once the performance period ends, the closeout process begins, which includes liquidation, suspension, and closeout.

***The length of this period is program specific.**

Liquidation Period

The **liquidation period*** is one month, and it immediately follows the performance period. During this period:

- no new authorizations may be processed against a grant award,
- payees may request payments for expenditures incurred during the performance period, *and*
- payees may adjust drawdowns for expenditures incurred during the performance period.

The last date a school can draw down funds from ED is the end of this period.

****The length of this period is program specific.**

Suspension Period

The **suspension period**** is one month and follows liquidation. During the suspension period, no payment actions can take place without the approval of the program office. ED program offices use this period to prepare for final closeout.

Closeout Period

The **closeout period** immediately follows the suspension period. The grant award is closed and any remaining funds are deobligated.

For the 2000-01 award year, a grant's:

- performance period lasts from July 1, 2000 to September 30, 2006;
- liquidation period lasts from October 1, 2006 to October 31, 2006;

- suspension period lasts from November 1, 2006 to November 30, 2006; *and*
- closeout begins on December 1, 2006.

Methods of Receiving Funds

Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- GAPS *Payee Guide – August 2000*

Schools can receive funds from ED using electronic funds transfer through Automated Clearinghouse (ACH) or FEDWIRE.

Automated Clearinghouse (ACH)

One way ED sends funds to schools is using ACH. Once schools request funds and these requests are approved,* the next business day GAPS electronically transfers the school's payment through the **Federal Reserve Bank (FRB)** network to the school's depositor bank account.

***Because drawdowns are done online, schools will receive immediate notification if their fund requests are not approved in GAPS.**

ACH requests made by 3 p.m. ET will be deposited the next business day. Requests made after 3 p.m. will be deposited within two business days.

Before a school begins disbursing funds, it should always check its bank account for an ACH deposit from ED to make sure a payment has been received. A school should keep records of all payments it has requested. These records provide an audit trail of requested funds and help the school reconcile its accounts with GAPS.

FEDWIRE

Reference:

- GAPS *Payee Guide – August 2000*

The other method by which schools can receive funds is using FEDWIRE. After a school's GAPS request is accepted, the funds are then transferred directly from ED through the FRB network to the school's depositor account.

Schools are allowed to make same-day payment requests. To receive a same-day payment, the transaction must be completed no later than 2 p.m. ET. Any requests made after 2 p.m. will have funds deposited the next business day.

Before a school begins disbursing funds, it should always check its bank account to make sure a FEDWIRE payment has been deposited. A school should also keep records of all payments it requests to help reconcile its accounts with GAPS.

A school may also request FEDWIRE or ACH payments by calling the GAPS Payee Hotline directly. This method should only used be when GAPS is malfunctioning or the school is having difficulty accessing it. The GAPS Payee Hotline (1-888-336-8930) accepts phone questions and requests by phone between 8 a.m. and 8 p.m. ET.

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

Reference:
- 34 CFR 668.162(a) to (e)

Payment Methods

Institutions are paid using one of the following four payment methods:

- advance (*before* Title IV program funds are disbursed to students and/or parents)
- just-in-time (*near* or *on the date* Title IV funds are disbursed to students and/or parents)
- reimbursement (*after* institutional funds have been disbursed to students and/or parents)
- cash monitoring (*only after* institutional funds have been disbursed to students and/or parents)

ED determines the payment method each school uses.

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.162(b)
- GAPS *Payee Guide – August 2000*

Advance Payment Method

Most schools are paid in advance. Under the advance payment method, GAPS accepts a school's request for cash and electronically transfers the amount requested to the school's bank account using ACH or FEDWIRE.*

A school's advance request for cash may not exceed the amount of funds the school needs within three business days to make disbursements to students. A school must make the disbursements as soon as administratively feasible, but no later than three business days following the date the school receives the funds.

Alternatively, schools can pay their students with their own funds before receiving funds from ED.

If the payee is paid in advance, the school requests funds by using the GAPS External Access System Web site or by calling the GAPS Payee Hotline at 1-888-336-8930 between 8 a.m. and 8 p.m. (ET).

***Under the Recipient Financial Management System (RFMS), advance payment schools will continue to receive their initial authorization.**

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

Reference:
- 34 CFR 668.162(c)
- DCL P-98-5

Just-in-Time Payment Method

The **just-in-time payment** method is available for the Federal Pell Grant Program only under a pilot project. A small group of schools, chosen by ED from schools that volunteered, are currently using this payment method.

A school can find out more information about the just-in-time pilot program by contacting the Federal Pell Grant Program's Customer Service staff at 1-800-4PGRANT or 1-800-474-7268.

Under this payment method, a school electronically submits a disbursement record for the Federal Pell Grant Program no earlier than five calendar days before the actual date of disbursement. The request includes the date and amount of the disbursement the school will make or has made to each student.

Reference:
- DCL P-00-1
- DCL P-99-4
- DCL P-99-3
- DCL P-98-4
- See Section 6.1 of this book for more information about RFMS.

For each request the **Recipient Financial Management System (RFMS)** accepts for a student, RFMS automatically sends a transaction to GAPS requesting that funds be directly deposited into the school's bank account through EFT. This whole process takes generally between 24 and 48 hours. In effect, the disbursement record drives placing funds into the school's bank account. No initial authorization is necessary, and the school does not need to interact directly with GAPS.

Reference:
- Federal Pell Grant Desk Reference for 2001-02

If, at the time of disbursement, a student is not eligible for the original Federal Pell Grant amount requested, the school must request the amount of funds for which the student is eligible within 30 days of the date the school becomes aware of the change. In this case, a school is permitted to disburse funds to a student before submitting a record of the modified disbursement to ED. However, if the student's eligibility for those funds changes again by the actual date of the modified disbursement, any additional adjustment must be reported.

A school can disburse funds intended for one student to another student if the original student is not eligible for the entire grant or a portion of the grant. If the school does so, it must ensure that all the required student transactions are sent to RFMS within the 30-day reporting period. The school must also do a "negative" disbursement for the ineligible student and do an off-setting "positive" disbursement for the student who actually received the funds.

Reference:
- 34 CFR 668.166(a)(2)

Schools using the just-in-time payment method are exempt from several cash management requirements. These exemptions include:

- not having to meet the three-day-use rule required for the advance payment method;
- not having to reverify student eligibility for a Federal Pell Grant award at the time of disbursement;
- not having to maintain Federal Pell Grant funds in an interest-bearing account; *and*
- not having to follow the normally applicable rules governing excess cash.*

***The excess cash exemption only applies to Title IV funds received under the just-in-time payment method. Title IV funds received by other payment methods are still subject to excess cash rules.**

Using this payment method, schools will have only nominal amounts of excess cash created by minor adjustments. Because ED will modify new requests for funds after deducting any adjustments reported by the school, large amounts of excess cash should not occur.

The just-in-time-payment method will enable the delivery system to provide the most current payment information to students and other system users, thereby reducing burden related to reconciling payment data. This method will improve reconciliation between a school's financial aid office and business office. Moreover, it should simplify the close-out process because adjustments are made throughout the year and all records should be in agreement.

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- GAPS *Payee Guide – August 2000*

Reference:
- 34 CFR 668.162(d)

Reimbursement Payment Method

A school may be placed on the **reimbursement payment** method if ED determines that there is a need to monitor the school's use of federal funds or if a school has monetary liabilities that need to be recovered by administrative offset (for example, owing funds to ED as a result of an audit or program review determination).

The reimbursement procedure begins with the school filling out a Request for Advance or Reimbursement Form (SF-270) and sending it to the appropriate ED regional office for approval. If the request is approved, the regional office processes a payment request in GAPS.

Under the reimbursement payment method, a school must make credit or cash disbursements to eligible students before it may submit a request to the ED regional office for cash for Federal Pell Grant, campus-based, and Direct Loan funds. The amount of the request may not exceed the amount of actual disbursements the school made to students included in the request.

A school must submit documentation that each student included in a reimbursement request was eligible to receive and did receive payment for the Title IV program funds that the school is requesting.

The ED regional office approves the request for reimbursement and electronically transfers the requested amount to the school's bank account if:

- the school properly determined each student's eligibility for Title IV program funds;
- the school made payments to students for the correct amounts of Title IV program funds;
- the school submitted any required documentation that shows each student included in that request was eligible to receive and was disbursed Title IV program funds; *and*
- sufficient program-specific funds are available to the school in the school's GAPS account.

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

Reference:
- 34 CFR 668.162(e)(1)

Cash Monitoring Payment Method

When ED places a school on the **cash monitoring** payment method, the school requests funds after the school makes disbursements to students and parents. The school will then be paid using either the advance payment method or the reimbursement payment method.

If a school is paid using the advance payment method and ED approves the request for funds, ED processes the request in GAPS and electronically transfers the amount requested to the school's bank account using ACH or FEDWIRE.

A school's advance request for cash may not exceed the amount of the actual disbursements the school made to students and parents in the request.

If a school is paid using the reimbursement payment method, the school must first make disbursements to eligible students and parents before ED processes a request for payment in GAPS. The amount of the request may not exceed the amount of actual disbursements the school made to students and parents in the request.

***The documentation requirements may be modified or changed by the appropriate ED regional office.**

A school may be required to submit documentation* that each student included in a request was eligible to receive and did receive payment for Title IV program funds for which the school is requesting reimbursement.

Reference:
- 34 CFR 668.162(e)(2)

ED approves the request for reimbursement, and GAPS electronically transfers the requested amount to the school's bank account, if:

- the school accurately determined each student's eligibility for Title IV program funds,
- the school accurately determined the amounts of Title IV program funds paid to students and parents,
- the school submitted any required documentation to support its request for reimbursement, *and*
- sufficient funds are available to the school in the school's GAPS account.

William D. Ford Federal Direct Loan Program (Direct Loan Program)

Reference:
- *Direct Loan School Guide*
- Direct Loan Desk Reference

Procedures used to draw down funds for the William D. Ford Federal Direct Loan Program (Direct Loan Program) differ from those used to draw down other Title IV funds. In addition, requests for Direct Loan funds may not be combined with requests for other Title IV funds.

There are two methods by which a school may handle funding requests. These methods depend on whether a school participates under Origination Option 2 *or* Origination Option 1 or Standard Origination.

Schools Participating Under Origination Option 2

Reference:
- http://e-Grants.ed.gov/

Origination Option 2 Direct Loan schools initiate their own funding requests. These requests are made separately from those requests made for Federal Pell Grant, campus-based, and other ED program funds because Direct Loan funds come from a different congressional appropriation.

Once a school has determined its immediate need, a drawdown request is made to GAPS. The school can either make a drawdown request on the GAPS Web

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site or by calling the GAPS Payee Hotline at 1-888-336-8930. GAPS requests cannot be made using EDExpress.

To resolve payment problems with GAPS and to maintain a written record of funds distributed, Option 2 schools should retain copies of Direct Loan drawdown requests.

GAPS edits a school's drawdown request and creates an ACH payment file for transmittal to the Federal Reserve Bank (FRB). Any problems with requests are transferred to a holding file so ED personnel can either approve the transaction or contact the school to resolve the problem.

The FRB receives the ACH file and transfers funds directly to the school's bank account. A school's bank should receive funds within 48 to 72 hours after the school transmits the drawdown request. The FRB notifies ED if there is a problem with an ACH transmission or if a school's transaction is rejected. ED then contacts the school to resolve the problem.

Schools Participating Under Origination Option 1 or Standard Origination

Reference:
- *Direct Loan School Guide*
- Direct Loan Desk Reference

Schools participating in the Direct Loan Program under Origination Option 1 or Standard Origination do not initiate funding requests. Rather, their funding requests are handled by the Loan Origination Center (LOC).

The LOC requests funds for Option 1 and Standard schools based on anticipated disbursement dates and amounts provided by the school in loan origination records and promissory notes. Standard Origination schools do not prepare promissory notes. Funds are requested for those anticipated disbursements for which the LOC has an accepted loan origination record and signed promissory note.

Approximately 30 to 45 days before the anticipated disbursement dates listed in the loan origination records, the LOC sends an **Anticipated Disbursement Listing (ADL)** to the school that shows anticipated disbursements by borrower and loan type. The school reviews the list and, if necessary, updates or adjusts the information with the LOC through the change record process.

The LOC requests a school's funds from GAPS five days before the anticipated disbursement date. The same day the request is made, the LOC creates and sends an electronic **Actual Disbursement Roster (ADR)** to the school that lists individual borrowers, their loan types, and their disbursement amounts (minus loan fees), as well as the total amount of funds included in the request. A school should retain copies of all ADRs.

The funds received from a drawdown are deposited directly into a school's bank account through FEDWIRE.

Timing Issues

From time to time, the Loan Origination Center (LOC) shuts down to update existing files and prepare the Direct Loan System for the upcoming year's processing cycle. When this happens, ED notifies schools in advance in a Direct Loan Bulletin.

To ensure that they have adequate funds to disburse during this shutdown period, Option 2 schools should project their cash needs for the length of the shutdown period and request the funds *before* the shutdown begins.

4.5 Maintaining Funds

The cash management regulations in 34 CFR 668, Subpart K contain guidelines schools must follow to adequately manage federal funds.

Bank Account

Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.163(a)(1)

All schools must maintain a bank account into which ED transfers (or a school deposits) Title IV program funds. This account also must meet certain federal requirements. (Funds received from the Federal Family Education Loan [FFEL] Program are excluded from the requirements.) The bank account must be federally insured or secured by collateral of value reasonably equivalent to the amount of Title IV program funds in the account.

Reference:

- 34 CFR 668.163(a)(2)
- 34 CFR 668.163(a)(2)(ii)(B)

Regardless of the type of account or number of accounts in which a school maintains Title IV funds, the school must properly indicate that the account(s) contain federal funds. A school may meet this requirement by:

- ensuring that the name of the account clearly includes the phrase "federal funds" *or*
- notifying its bank of the accounts that contain federal funds and (except for a public school) filing a **UCC-1 statement** with the appropriate state or local government entity disclosing that the account contains federal funds and retaining copies of the bank notice and proof of submitting the UCC-1 statement in its records.
    - The format and content of the forms used for UCC-1 statements vary from state to state. UCC-1 statements and information about filing them are available from the state corporation council or secretary of state in your state. Blank UCC-1 statements are available from local legal office supply stores.

A school is not required to maintain a separate bank account for Title IV program funds. However, in certain circumstances, a school may be required to maintain all Title IV program funds in a bank account that contains no other type of funds. This is the case if ED determines that:

- the school's accounting and internal control systems do not identify:
    - cash balances of Title IV program funds maintained in the school's bank account as readily as if those funds were maintained for each program in a separate account, *or*
    - the interest or investment revenue adequately earned on Title IV program funds maintained in the school's bank account; *or*
- the school's financial records are:
    - not maintained on a current basis,
    - not accurately reflective of all Title IV program transactions, *or*
    - not reconciled at least monthly; *or*
- the school has otherwise failed to comply with recordkeeping and reporting requirements required by applicable federal regulations.

Interest-Bearing Account

Reference:
Student Financial Aid Handbook, Volume 2: Institutional Eligibility

Reference:
- 34 CFR 668.163(c)(3) and (4)

A school must remit to ED, at least annually, the interest or investment revenue earned on Title IV program funds maintained in an interest-bearing or investment account.

A school may retain up to $250 a year of the interest or investment revenue earned on Title IV program funds (except for Federal Perkins Loan funds) during an award year. By June 30 of that award year, the school must send ED any interest or investment revenue earned on Title IV programs funds over $250, except for interest or investment revenue earned on Federal Perkins Loan funds. The school must leave all interest and investment revenue earned for Federal Perkins Loans in its revolving Federal Perkins Loan fund.

For any award year, a school that participates in the Federal Perkins Loan Program must maintain its Federal Perkins Loan funds in:

- an interest-bearing account that is federally insured or secured by collateral of value equivalent to the amount of Title IV program funds in the account *or*
- an investment account that consists predominantly of low-risk income-producing securities, such as obligations issued or guaranteed by the U.S. government. If a school maintains federal funds in an investment account, the account must remain sufficiently liquid to make required disbursements to students.

A school that does not participate in the Federal Perkins Loan Program must maintain other Title IV program funds in an interest-bearing account if the school does not meet the criteria listed in the next paragraph. If applicable, the account must meet the same, just-cited, interest-bearing or investment-account requirements.

Reference:
- 34 CFR 668.163(c)(1) and (2)

A school is not required to maintain an interest-bearing account if:

- the school drew down less than $3 million from Title IV programs in the previous award year and anticipates it will draw down less than $3 million in the current award year;
- the school demonstrates by its cash management practices it would not earn more than $250 in interest by maintaining in an interest-bearing account the total amount of Title IV program funds it will draw down during the current award year; *or*
- the school requests those funds using the just-in-time payment method.

Reference:
- *Student Financial Aid Handbook, Volume 2; Institutional Eligibility*

Reference:
- 34 CFR 668.163(d)

If a school is not required to maintain separate accounts, it must maintain accounting and internal control systems that:

- identify the cash balance of the funds of each Title IV program that is included in the institution's interest-bearing or investment account *and*
- identify the earnings on Title IV funds maintained in the school's interest-bearing or investment account.

In addition, a school must maintain its accounting financial records accordingly.

Schools that request funds using the just-in-time payment method are exempt from having an interest-bearing account for those funds because the payment method is designed to ensure expeditious fund disbursement.

4.6 Obtaining Federal Family Education Loan (FFEL) Program Funds

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

The Federal Family Education Loan (FFEL) Program includes Federal Stafford Loans (subsidized and unsubsidized), Federal PLUS Loans (for parents), and Federal Consolidation Loans.

FFEL Program loans are made to students and parents by banks, savings and loans, credit unions, and other financial institutions. A school obtains a borrower's funds directly from the lending institution or servicer.

Federal statute requires that proceeds from Stafford Loans and PLUS Loans be disbursed directly to schools for delivery to borrowers.

Electronic Funds Transfer (EFT) and Master Checks

A school may receive a borrower's FFEL funds from a lender by EFT. To do so, a school must enroll in EFT with the lender or the lender's disbursing agent to enable FFEL funds to be deposited directly into the school's designated bank account.

A school may also receive a borrower's loan proceeds by **master check** if the school and lender or the lender's disbursing agent have entered into an agreement to use master checks. A master check is a single check, written by a lender, that contains all the lender's FFEL Program funds for the school's borrowers for a given disbursement date.

Funds provided by EFT or master check must be accompanied by a list of names, Social Security numbers, and loan amounts of borrowers whose payments are considered a part of those funds. The list enables a school to identify eligible borrowers to whom loan proceeds are to be delivered.

Reference:
- 34 CFR 668.167(a)(1)

A school may request loan proceeds by EFT or master check no earlier than 13 days before the first day of a student's enrollment period. If a Stafford Loan borrower is subject to **delayed disbursement**, disbursement by EFT or master check may not be requested until the 27th day of the student's enrollment period.

Reference:
34 CFR 682.604(c)(3)

A school must obtain a borrower's written authorization to receive his or her loan funds by EFT or master check. Authorization may be given in the borrower's loan application (master promissory note [MPN] or PLUS Loan application and promissory note), or it may be obtained separately. If written authorization is not given in the borrower's loan application, it must be obtained not more than 30 days before the beginning of the enrollment period for which the loan is intended.

- The EFT approval is for the school to accept loan funds from the lender. It is not for direct payment to the student's bank account.

Individual Checks

Reference:
- 34 CFR 668.167(a)(2)

A school may receive a borrower's Stafford Loan funds from a lender in the form of an individual bank check made payable to the borrower or co-payable to the borrower and the school. In the case of a co-payable check, the school and the borrower must endorse the check. A school must deliver loan funds to a student borrower within 30 days of the date it receives the check.

Co-payable PLUS Loan checks must be sent directly to a school by a lender. A school must deliver PLUS proceeds to a parent borrower within 30 days of receiving a check. However, a school is not required to endorse a PLUS check before sending it to a parent borrower. The school may require the parent borrower to endorse the check and return it to the school for the school's endorsement. The school then endorses the check, deposits it, and disburses the funds.

In no case may a school request loan funds by individual check earlier than 30 days before the first day of the student's enrollment period. If a Stafford Loan borrower is subject to delayed disbursement, a school may not request Stafford Loan funds earlier than the first day of classes of the student's first payment period.

4.7 Disbursing Title IV Program Funds

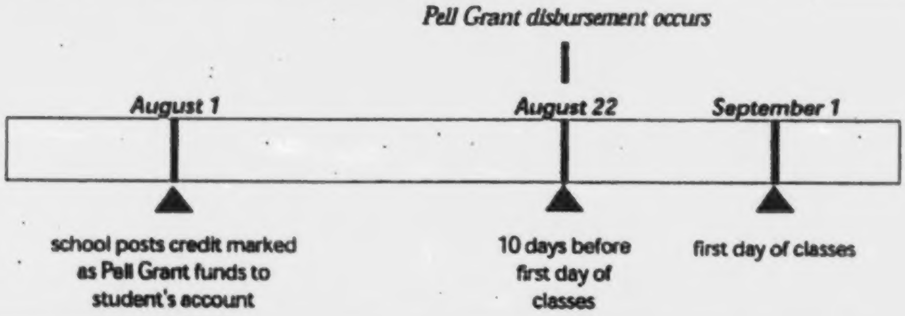
Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.164(a)(1)
- 34 CFR 674.16
- 34 CFR 675.16
- 34 CFR 676.16
- 34 CFR 682.207
- 34 CFR 682.604
- 34 CFR 685.303
- 34 CFR 690.78

Cash management regulations contain a specific definition of the term "disburse." Title IV program funds are disbursed when a school credits a student's account with funds or pays a student or parent directly with:

- Title IV funds received from ED,
- Federal Family Education Loan (FFEL) Program funds received from a lender, *or*
- institutional funds used before receiving Title IV program funds.

Before a school disburses Title IV program funds, the school must notify the student of the amounts of Title IV funds expected to be received and how and when those funds will be paid.

Advance Credit to Account Example


Pell Grant disbursement occurs
August 1
August 22
September 1
school posts credit marked as Pell Grant funds to student's account
10 days before first day of classes
first day of classes

Reference:
- 34 CFR 668.164(a)(2)

However, there are three exceptions that *do not result immediately in a Title IV disbursement* when crediting institutional funds labeled as Title IV funds to a student's account before receiving the actual Title IV program funds:

- If a school credits a student's account with the institutional funds before receiving Title IV funds *earlier than ten days before the first day of class of a* *payment period*, the Title IV disbursement occurs on the tenth day before the first day of class*; *or*

- For a student whose loan funds are subject to 30-day delayed disbursement, if a school credits the student's account with institutional funds before receiving Title IV program funds *earlier than 30 days after the first day of the payment period*, the Title IV loan disbursement occurs on the 30th day after the beginning of the payment period; *or*
- If a school simply makes a memo entry for billing purposes or credits a student's account and does not identify it as a Title IV credit (for example, an "estimated Federal Pell Grant"), the disbursement does not occur until the posting is subsequently converted to an actual credit.

***However, a school can make a credit disbursement with institutional funds earlier than ten days before the first day of classes of a payment period, but it is not a Title IV aid disbursement.**

Reference:
- 34 CFR 668.167

To disburse Title IV program funds to a student or parent a school may:

- release the FFEL check to the student or parent directly *by*
    - issuing a check** (or other instrument) payable to the student and requiring the student's endorsement or certification (or, in the case of a parent borrowing under the Direct Loan Program or FFEL Program, requiring the endorsement or certification of the student's parent);
    - initiating an EFT to a bank account designated by the student (or, in the case of a parent borrower, designated by the parent); *or*
    - dispensing cash to the student for which the school obtains a signed receipt from the student; *or*
- credit a student's account at the school. In the case of Direct Loan funds, a school must credit the student's school account.

****A school may endorse a lender's co-payable FFEL check or FFEL PLUS check and issue that check to the borrower as payment of the loan proceeds.**

Federal regulations require schools to notify a student or a parent borrower of the amount of Title IV program funds the student can expect to receive and how and when those funds will be paid. In the case of Direct Loan or FFEL Program funds, the notice must indicate which funds are subsidized loans and which are unsubsidized loans.

Reference:
- 34 CFR 668.165(a)(1)

Paying Students or Parents Directly

If a school does not credit a student's school account with payments of Title IV program funds for **allowable charges,** it must pay the student or parent directly.

A school may use more than one payment method. For example, a school might credit a student's account for tuition and fees, then pay remaining Title IV funds directly to the student.

Reference:
- 34 CFR 668.164(c)
  34 CFR 675.16

Reference:
- 34 CFR 668.164(c)(1) and (2)

Issuing Checks

A school may pay a student or parent by issuing a check. A Direct Loan school, however, must first credit the student's school account; then it may issue a check for any remaining funds.

For loans made under the FFEL Program, the check issued by the lender may be the check delivered to the student. A school may endorse a lender's co-payable Federal Stafford Loan or Federal PLUS Loan check and issue that same check to the student borrower or parent borrower. Or the school can have the borrower sign the check, the school endorses the check and deposits it, and then the school credits the student's school account. The funds credited are used either to pay allowable charges or, with the borrower's permission, are held as funds in excess of allowable charges.

For all Title IV program funds, a school may issue checks drawn from the bank account in which the school maintains federal funds or from the school's own general account.

To properly issue a check for Title IV funds, including FFEL funds, a school must release, distribute, or otherwise make the check available by:

- mailing the check to the student or parent (for PLUS Loan borrowers only) *or*
- notifying the student or parent that the check is available, on request, for immediate pickup.

Reference:
- 34 CFR 668.164(c)(3)
- 34 CFR 668.165(b)(1)(i)

EFT

A school may pay a student or parent by electronically transmitting Title IV program funds directly to the student's or parent's (for PLUS Loan borrowers only) designated bank account. The school must obtain written authorization from the student or parent to pay Title IV funds through EFT.

Reference:
- 34 CFR 668.164(d)

Crediting a Student's Account

Crediting a student's account (at a school) is defined as posting a payment of funds to a student's account. In the context of federal regulations governing Title IV programs, a student's school account may be any recordkeeping system that a school uses to post institutional charges and payments of Title IV program funds. The system may be manual or automated.

Reference:
- 34 CFR 668.164(d)(2)(i) and (ii)

If a school credits a student's school account with Title IV program funds, it may apply those funds only to allowable charges. Allowable charges include:

- tuition and fees,
- board, if the student contracts with the school for board, *and*

- room, if the student contracts with the school for room.

If a school obtains a student's or parent's written authorization to use Title IV program funds to pay other costs, these costs may include:

- institutional charges that were incurred by the student for educationally related activities *and*
- minor prior-year charges if these charges are less than $100 or if the payment of these charges does not, or will not, prevent the student from paying his or her current educational costs.

However, in general, Title IV program funds are only used to pay for educational expenses a student incurs in the period for which the funds are provided. When students request that Title IV funds be used for prior-year charges, schools should handle such requests in a very judicious manner.

Reference:
- 34 CFR 668.165(b)(2)

A school may not require or coerce a student or parent to authorize the use of Title IV funds to pay for other costs. Furthermore, if a student or parent elects to give such authorization to a school, the school must allow the student or parent to modify or rescind the authorization at any time. The school must also clearly explain how it will honor the authorization received from the student or parent.

Reference:
- HEA, Section 445(c)
- 34 CFR 675.16(a)(3)(iii)

An institution may, at a student's request, make Federal Work-Study payments directly to the student's bank account or may credit a student's account at the institution for tuition and fees, room and board, and other institutionally provided goods and services.

Title IV Loan Programs

Reference:
- 34 CFR 668.164(d)(3)

When a school disburses Direct Loan funds by crediting a student's account at the school, the school must first use those funds to pay outstanding current charges and authorized charges.

Reference:
- 34 CFR 668.165(a)(3) (i) and (ii)
- DCL CB-96-8

When a school credits a student's account with Federal Perkins Loan funds, Direct Loan funds, or Federal Family Education Loan (FFEL) Program funds received by EFT or master check, it must notify the student or parent (for PLUS Loan borrowers), in writing or electronically, no earlier than 30 days before and no later than 30 days after crediting the student's account of:

Reference:
- 34 CFR 682.207
- 34 CFR 682.604
- 34 CFR 685.301
- 34 CFR 685.303

- the date and amount of the disbursement,
- the borrower's right to cancel all or a portion of the loan, *and*
- the procedures and time by which the borrower must notify the school that he or she wishes to cancel all or a portion of the loan.

Reference:
- 34 CFR 668.16(c)(2)

In addition, if the school sends the notice electronically, it must require the recipient of the notice to confirm receipt of the notice and the school must maintain a copy of that confirmation.

The school must return the loan proceeds, cancel the loan, or do both, if the school receives a request from the borrower to return and/or cancel the loan within 14 days after the date the school sends the disbursement notice. If the school sends the disbursement notice more than 14 days before the first day of the payment period, it must honor the borrower's request by the first day of the payment period. In addition, a school may return the loan proceeds, cancel the loan, or do both, if the school receives the notice from the borrower after this deadline, but *it is not required to do so.* This is the school's decision.

A school must notify a student or parent, in writing or electronically, about the outcome of any cancellation request.

Separation of Functions

Reference:
- 34 CFR 668.16(c)(2)

At some schools, the business office and financial aid office are located in one shared office. Although this setup might provide good student services, it is essential to remember that federal regulations require a school to divide the functions of authorizing payments and disbursing funds so that no single office or individual has the responsibility for both functions for any student receiving Title IV funds.

- For example, under the Perkins Loan Program, the financial aid office might award Perkins Loan funds. The business office might be responsible for disbursing Perkins Loans, collecting and handling promissory notes, billing borrowers in repayment, collecting payments, authorizing deferments, canceling loans, counseling students, and reporting on Perkins Loans to NSLDS. Or schools might contract with a third-party servicer for some of these activities; some schools have a separate loan office that is part of either the business office or the financial aid office.

Title IV Credit Balances

Reference:
- 34 CFR 668.164(e)

When a school applies Title IV funds to a student's school account and determines that the amount of the funds exceeds allowable charges the school assessed the student, the school must pay the **credit balance** directly to the student or parent borrower as soon as possible, but no later than the 14-day deadline described below. The only exception is when the school has the student's permission to hold a credit balance.

Reference:
- 34 CFR 668.165(a)(4)

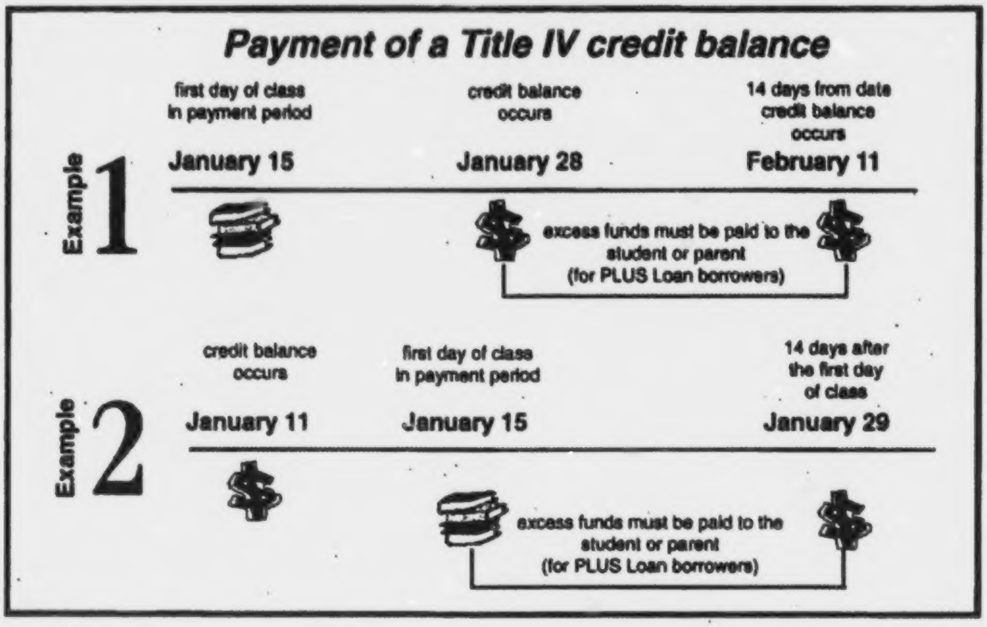
A school must pay a credit balance directly to a student borrower or parent borrower within 14 days of:

Reference:
- 34 CFR 668.165(a)(5)

- the date the balance occurs, if it occurs after the first day of class of a payment period; *or*

- the first day of class of a payment period, if the balance occurs on or before the first day of class of that payment period; *or*
- the date the school receives the student's or parent's cancellation of the school's authorization to hold a Title IV credit balance.

The two examples below illustrate how schools can pay a Title IV credit balance.


Payment of a Title IV credit balance

Example 1
first day of class in payment period
January 15
credit balance occurs
January 28
14 days from date credit balance occurs
February 11
excess funds must be paid to the student or parent (for PLUS Loan borrowers)
Example 2
credit balance occurs
January 11
first day of class in payment period
January 15
14 days after the first day of class
January 29
excess funds must be paid to the student or parent (for PLUS Loan borrowers)

Early Disbursements

Reference:
- 34 CFR 668.2(b)

A school may not make a payment to a student or credit a student's account until the student is enrolled for classes for the applicable payment period or enrollment period. Federal regulations define **"enrolled"** as the status of a student who:

- has completed registration requirements (except for paying tuition and fees) at the school the student is attending *or*
- has been admitted into an educational program offered predominantly by correspondence and, after being accepted for enrollment, has submitted one lesson completed by the student without the help of a representative of the school.

Reference:
34 CFR 668.164(f)(1) and (2)

Except for students subject to the 30-day delayed disbursement, the earliest a school may pay a student directly or credit a student's account with Title IV funds is ten days before the first day of an enrollment period for which that disbursement is intended.*

***Schools may incur liabilities if they disburse Title IV funds earlier than allowed by the ten-day rule.**

Multiple Disbursements

A school generally disburses Direct Loan funds or delivers FFEL proceeds in multiple installments. If the school is required to do so, the disbursements must be in substantially equal installments and no installment may exceed one-half of the loan.

References:

- 34 CFR 682.604(c)(9)
- 34 CFR 685.301(b)(7)

For clock-hour programs, nonterm credit-hour programs, and nonstandard term programs that do not use terms substantially equal in length** for a loan period, the second disbursement of Direct Loan Program or FFEL Program funds cannot be made until the later of:

- the calendar midpoint between the first and last scheduled days of the loan period,
- the date determined by the school that the student has completed half of the academic course work in the loan period for nonterm credit-hour programs or nonstandard term programs, *or*
- the date determined by the school that the student has completed half of the clock hours in the loan period for clock-hour programs.

Reference:

- 34 CFR 682.604(c) (7) and (8)
- 34 CFR 685.301(b) (5) and (6)

****Terms in a loan period are substantially equal in length if no term is no more than any other term in that loan period.**

For credit-hour programs with standard terms, if the loan period is more than one payment period, loan funds must be delivered at least once in each payment period. If the loan period is one payment period (for example, one semester), the second disbursement of Direct Loan Program funds or the second delivery of FFEL Program funds cannot be made until the calendar midpoint between the first and last scheduled days of class of the loan period.

Reference:

- 34 CFR 682.604(c)(6)(i) and (ii)
- 34 CFR 685.301(b)(3)(i) and (ii)

There are, however, some situations in which a school is allowed to make a single disbursement:

- If one or more payment periods have elapsed before the school makes a disbursement, the school may include loan proceeds for completed payment periods in the disbursement.
- If the loan period is equal to one payment period and more than one-half of it has elapsed, the school may include loan proceeds for the entire payment period in the disbursement.
- If a school has a cohort default rate of less than 10 percent for each of the three most recent fiscal years for which data are available, the school may disburse a loan in a single installment if the loan period is not more than one semester, one trimester, one quarter, or, for nonterm-based schools or schools with nonstandard terms, four months.

Reference:

- 34 CFR 682.207(d)
- 34 CFR 685.301(b)(4)(i) and (ii)

Reference:

- 34 CFR 682.604(c)(10)
- 34 CFR 685.301(b)(8)

Reference:
- 34 CFR 682.604(c)(10)
- 34 CFR 685.301(b)(8)

- If a school is an eligible home institution that has a cohort default rate of less than 5 percent for the single, most recent fiscal year for which data are available and is certifying or originating loans for students in study-abroad programs, if those programs are approved by the home institution, it may disburse the loan in a single installment.

- If a school is not located in a state, it is not required to make more than one disbursement.

Reference:
- 34 CFR 668.164(f)(3)
- 34 CFR 682.604(c)(5)
- 34 CFR 685.303(b)(4)

Delayed Disbursements

A student borrowing under the Direct Loan Program or FFEL Program is subject to delayed disbursement if the student:

- is enrolled in the first year of an undergraduate program of study *and*

- has not previously received a Direct Loan Program or an FFEL Program loan.

Reference:
- 34 CFR 668.164(g)(2) (i) and (ii)

A school may not release the first disbursement of a Direct Loan Program or FFEL Program loan to a first-year, first-time, undergraduate student borrower until 30 calendar days after the first day of the student's program of study for which the loan is intended. The reason: The student might change his or her program of study, drop out, or take a leave of absence within the first 30 calendar days of the enrollment period; delayed disbursement means that in these circumstances the student won't have received funds that then will need to be repaid. Because of this, the student may not receive loan proceeds until after he or she has been enrolled and attending the new program of study for 30 calendar days.

Reference:
- HEA, Section 428G (b)(1)
- 34 CFR 682.604(c)(5)
- 34 CFR 685.303(b)

This requirement does not apply to:

- a school that has a cohort default rate or a weighted average cohort rate of less than 10 percent for each of the three most recent fiscal years for which data are available for FFEL Program loans and Direct Loan Program loans;

- an eligible home institution that has a cohort default rate or a weighted average cohort rate of less than 5 percent for the single, most recent fiscal year for which data are available and is certifying or originating loans for students in study-abroad programs, if those programs are approved by the home institution; *or*

- a school that is not located in a state.

A school is not required to delay disbursement of Direct PLUS Loan or Federal PLUS Loan proceeds borrowed by a parent on behalf of a dependent student for 30 days, even if the student is a first-year, first-time undergraduate student.

Late Disbursements

Reference:
- 34 CFR 668.164(g)(1) (i) and (ii)

A formerly eligible student may be eligible to receive a late disbursement. An institution may make a late disbursement if:

Reference:
- 34 CFR 668.164(g) (i) and (ii)
- 34 CFR 668.22

- for the Pell Grant, FSEOG, and Perkins Loan Programs, the student is no longer enrolled at the school for the award year *and*
- for the Direct Loan and FFEL Programs, the student is no longer enrolled at the school as at least a half-time student for the loan period.

A school may also make a late disbursement if it has determined through a **return of Title IV funds** calculation that the student has earned aid that was not disbursed before the student's withdrawal. This type of disbursement is considered to be a post-withdrawal disbursement and is subject to certain return of Title IV funds restrictions.*

***See Chapter 2 of this book for more information about return of Title IV funds.**

Late Disbursements

Program	***A late disbursement may be made if, before the date the student becomes ineligible...***		
Direct Loans *	SAR or ISIR with official EFC is received (all programs)	electronic origination record is created	For a first-year, first-time borrower, student completed first 30 calendar days of program
FFEL Loans *		loan application is certified	
Pell		Valid SAR or ISIR is received	
SEOG		Student is awarded grant	
Perkins		Student is awarded loan	

** A school may not make a late second or subsequent disbursement of a Direct Subsidized Loan, Direct Unsubsidized Loan, or a FFEL Stafford Loan, unless the student has graduated or successfully completed the period of enrollment for which the loan was intended.*

Depending on the Title IV program, there are conditions a school must meet before disbursing funds to a formerly eligible student. To be eligible for a late disbursement, the student must have educational costs incurred while enrolled at the school. A school may pay a formerly eligible student if, before the date the student became ineligible, the school:

Reference:
- 34 CFR 668.164(g)(2) (i) and (ii)

- received a SAR or ISIR with an official, calculated expected family contribution (EFC);

- has a valid SAR or ISIR, for a Pell Grant;
- has awarded the student a grant or loan, for the FSEOG Program award or the Perkins Loan Program;
- has created an electronic origination record, for a Direct Loan Program loan;
- has certified a loan application, for a FFEL Program loan; *and*
- has checked that a first-year, first-time undergraduate borrower completed the first 30 calendar days of enrollment of his or her program of study, for a Direct Loan or a FFEL Program loan.

Reference:

- 34 CFR 668.164(g)(2)(ii)(A) and (B)

A school may *not* make a late second or subsequent disbursement of a Federal Direct Subsidized Loan, Federal Direct Unsubsidized Loan, or a FFEL Stafford Loan unless the student has graduated or successfully completed the period of enrollment for which the loan was intended. This applies even if the student qualifies for a post-withdrawal disbursement under a return of Title IV funds calculation.

Reference:

- 34 CFR 668.164(g)(3)(i) and (ii)

If a student or parent borrower qualifies for a late disbursement, a school may make a late disbursement if the funds are used to pay for educational costs that the school determined were incurred for the period in which the student was enrolled and eligible.

- The school must make the disbursement to the student no later than 90 days after the student becomes ineligible.

Holding Title IV Credit Balances

Reference:

- 34 CFR 668.165(b)(1)(iii)
- 34 CFR 682.604(d)(1)(ii)(B)
- 34 CFR 668.165(b)(5)(i) and (ii)

***ED may prohibit schools under the reimbursement payment method from holding student credit balances.**

A school, as fiduciary for the benefit of a student, may hold amounts of Title IV funds that exceed allowable charges *if* the student or parent borrower authorizes the school to retain the credit balances to assist the student or parent borrower in managing those funds.

If a student authorizes a school to hold a credit balance,* and if the school chooses to hold the credit balance, the school:

- must identify the student and the amount of the credit balance the school holds for that student in a subsidiary ledger account designated for the purpose of holding funds;
- must maintain, at all times, an amount of cash in its bank account that is at least equal to the amount of the credit balance the school holds for the student; *and*
- may retain any interest earned on the student credit balances.

Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

34 CFR 668.163 (c)

Reference:
- 34 CFR 668.165(b)(5)(iii)

However, notwithstanding any authorization the school obtains from the student or parent, the school must pay to the student or parent any remaining balance on the loan funds by the end of the loan period and any other remaining Title IV aid funds by the end of the last payment period in the award year for which they were awarded and were intended to be disbursed.

If ED determines that a school's reimbursement method has failed to meet these standards of financial responsibility, the school may not be allowed to hold credit balances for any purpose.

Reference:
- 34 CFR 668.165(b)(5)(iii)

Student/Parent Authorizations

A school must obtain written authorization from a student or parent to:

Reference:
- 34 CFR 668.165(b)(1)

- disburse Title IV program funds to a bank account designated by the student or parent,
- use Title IV program funds to pay for other allowable charges under the HEA, *or*
- hold a Title IV credit balance.

Reference:
- 34 CFR 668.165(b)(2)

A school may not require or coerce a student or parent to provide an authorization for any of these activities. If a student or parent opts to authorize a school to perform any of these activities, the school must allow the student or parent to rescind the authorization at any time. The school must also clearly explain to a student or parent how it will carry out these functions.

An authorization is good for the period during which the student is enrolled at the school. An initial authorization will continue to be valid for subsequent award years or enrollment periods as long as the student or parent does not rescind it.

- A break in enrollment does not invalidate the authorization.
- The written authorization must give the student or parent the opportunity to cancel or modify the provisions of the original authorization.

Alternative Methods of Disbursing Title IV Funds

Title IV funds can be disbursed or delivered to a student by EFT to the student's bank account, if the student authorizes it.

Schools must obtain written authorization from the student to hold funds in the student's account.

Another method of distributing funds to students is issuing debit cards. At some schools, debit cards are issued by the school and allow students to have access to their Title IV funds by automatically "debiting" the student's school account each time the card is used. Proper electronic security measures must be in place.

Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.166(a) (1) and (2)

4.8 Excess Cash

Excess cash is any amount of Title IV program funds (other than Federal Perkins Loan Program funds) that a school does not disburse to students by the end of the third business day following the date the school received the funds. Except as described in the next section on tolerances, a school must reallocate funds to other programs or promptly return to ED* any amount of excess cash in its bank account.

***FFEL Program funds that cannot be delivered to the intended student cannot be reallocated to other Title IV programs and must be returned to the lender.**

◆ Schools receiving funds under the just-in-time payment method are exempt from this requirement (for those funds), as they don't ever have excess funds.

A school may have excess cash in its account if:

◆ the funds result from a reduction to reported expenditures on a closed award**;

◆ the school has unused funds and expects no more funding from ED, or no more student expenses;

◆ the school earned interest or investment income on federal funds in excess of $250 (with the exception of the Federal Perkins Loan Program);

◆ funds were drawn down and not used according to immediate need rules;

◆ the school owes ED for disallowed program expenditures found during an audit or program review; *or*

◆ the school reports large Federal Perkins Loan cash on hand (COH) balances on the FISAP.

Reference:

- DCL CB-00-14

****GAPS does not report expenditures for closed awards.**

Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.166(b)(1)(i)(A) and (B)

Tolerances

If a school draws down Title IV program funds in excess of its immediate cash needs, the school may maintain the excess cash balance in its bank account only if:

- the amount of the excess cash balance is less than three percent of the school's total prior-year drawdowns for a **peak enrollment period** during which the drawdown occurs *or*

Reference:

- 34 CFR 668.166(b)(1)(ii)

- the amount of excess cash balance is less than one percent of its total prior-year drawdowns for any other period.

Reference:

- 34 CFR 668.166(b)(2)(i) to (iv)

If the school qualifies for either of these criteria, the school must eliminate its excess cash balance within the next seven days by disbursing Title IV funds to students for at least the amount of the balance.

A peak enrollment period occurs when at least 25 percent of a school's students start classes during a given 30-day period. For any award year, a school calculates the percentage of students who started classes during a given 30-day period by:

1. determining the number of students who started classes during that period for the prior award year in which the 30-day period began;
2. determining the total number of students who started classes during the entire prior award year in which the 30-day period began;
3. dividing the number of students in step 1 by the number of students in step 2; *and*
4. multiplying the result obtained in step 3 by 100.

Reference:

- 34 CFR 668.166(b)(3)

Calculating Peak Enrollment

$$\frac{\text{Number of students who started classes in the comparable 30-day period in the prior award year}}{\text{Total number of students who started classes during the entire prior award year}} \times 100 = \text{Percentage of students who started classes during the 30-day period.}$$

To determine total prior-year drawdowns, a school participating in the Direct Loan Program may include the total amount of loans guaranteed under the FFEL Program for students attending the school during that year.

Liabilities

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.166(c)(1)(i) and (ii)

If ED finds that a school maintains excess cash balances in its bank account that are greater than those allowed, ED may:

- require the school to reimburse the federal government for costs incurred in making those excess funds available to the school *and*
- initiate proceedings to fine, limit, suspend, or terminate the school's participation in one or more Title IV programs.

Reference:
- 34 CFR 668.166 (c)(2)(i)

If ED finds that a school *has* excess cash, ED considers a school to have issued a check to a student on the date the check cleared the bank, unless the school can demonstrate it issued the check shortly after writing it.

Reference:
- 34 CFR 668.166(c)(2)(ii)

If ED finds that a school has maintained excess cash, ED calculates (or requires the school to calculate) a liability for maintaining excess cash according to ED-established procedures. Under those procedures, ED assesses a liability equal to the difference between the earnings that the excess cash balance would have yielded if it had been invested under the applicable current value of funds rate and the actual interest earned on the balance.

Reference:
- http://www.fms.treas.gov/tfm/

The current value of funds rate is an annual percentage rate, published in a Treasury Financial Manual (TFM) bulletin, that reflects the current value of funds to the U.S. Department of Treasury (Treasury) on the basis of certain investment rates. The current value of funds rate is computed each year by averaging investment rates for the 12-month period ending every September. The TFM bulletin is published annually by Treasury. Each annual bulletin identifies the current value of funds rate and the date that rate becomes effective.

Disallowed Program Expenditures

If disallowed program expenditures are discovered during an audit or program review, a school is considered to have excess cash if:

- The school draws down funds, credits the student's account, and then the student no longer attends the school and is ineligible for the funds.
  - The school must cancel the disbursement and return funds to its federal cash account. This might cause the school to have excess cash, depending on its cash needs.
- The school draws down more money than it spends.

  - Because the unused funds were drawn down and deposited in the school's cash account, the school must return the money as excess cash or adjust its next drawdown if it is within the timelines allowed by regulations.

- The school draws down funds and disburses them improperly.
  - This is considered a liability. Because the school had use of the improperly disbursed funds, the school is charged interest on the use of those funds.
  - This situation occurs when the school credits the student's account with Title IV financial aid and fails to cancel the award(s) when the student doesn't attend or when the school fails to provide matching (nonfederal) funds for the campus-based programs.

4.9 Methods for Returning Funds

Procedures for returning funds vary, depending on the circumstances under which a school is returning funds. If ED notifies a school that it must return funds, the notification usually contains specific instructions the school must follow.

Excess Cash for the Federal Pell Grant and Campus-Based Programs

Reference:
- GAPS *Payee Guide – August 2000*
- Federal Pell Grant Desk Reference 2000-01

Excess cash exists when any grant award in GAPS has a positive cash balance. This occurs when the school, as a payee, has net draws that exceed expenditures for one or more of the payee's grant awards three business days after the funds have been deposited into its bank account.

Payees should reconcile their grant awards on a regular basis and are required to resolve any excess cash balances throughout the year. A payee can resolve an excess cash balance by:

- returning excess cash to ED *or*
- reallocating drawn funds among grant awards in GAPS to comply with immediate cash needs.

Reference:
- See Section 4.2 of this book for more information about immediate need.

If a school must return funds to ED, the school must follow appropriate procedures for returning funds. Schools with fewer than 25 open awards have the option of using the GAPS online refund function. To use the online refund function, schools should access the e-Payments Web site, log on to the site, select "refunds," select "excess cash," select "initiate a refund," and click on "continue." This brings up the school's open awards from which the school can choose the document and bank account desired. GAPS will then take the money

Reference:
- http://e-Grants.ed.gov/gapsweb

from the selected bank account and credit the appropriate document. The transaction will be posted in GAPS within two business days.

To help payees reconcile their internal accounting records with ED's information in GAPS, payees can access GAPS Activity Reports through the e-Payments Web site.

If a school fails to resolve cash balances, the school, as a payee, may be subject to penalties.

Closed Award

If a school needs to return funds as a result of reducing expenditures on a closed award, the school simply sends a check to the lockbox at:

U.S. Department of Education
P. O. Box 952023
St. Louis, MO 63195-2023

The remittance should include the school's DUNS number and Document Award Number; it also should indicate that the remittance is for a closed award.

The collections for closed awards are posted in FARS* (Receivable) as unbilled collections under the school's DUNS number. No receivables are established, nor is the school's account adjusted in GAPS. The funds are posted to Miscellaneous Receipts and ultimately returned to the U.S. Department of Treasury.

***FARS is a general ledger of the Financial Management System Software (FMSS) under EDCAPS.**

Federal Pell Grant

New

For any award year that is more than five years old (the 1995-96 award year as of September 30, 2001 and the 1996-97 award year as of September 30, 2002), decrease adjustments are both canceled and closed in PGRFMS. PGRFMS does not process these adjustments, and GAPS does not post the adjustments to the school's account or adjust expenditures. Schools should no longer submit Decrease Award Reports previously described in the various post-deadline adjustment letters.

Schools should return closed Federal Pell Grant award funds to the St. Louis lockbox address (given above) used for returning unbilled and voluntary refunds described earlier.

Funds from an Audit or Program Review

If a school owes payments to ED, a copy of its Final Audit Determination Letter (FADL) or Final Program Review Determination (FPRD) letter is sent to ED's Receivables and Cash Receipts Team (RCRT) where an account receivable is established for the school. A school is billed for the disallowed amount of funds, accrued interest, and penalties through ED's billing agent. Payment instructions are included with the bill.

Reference:
GAPS *Payee Guide – August 2000*

- If a school owes ED $100,000 or more, it must remit payment through its financial institution by FEDWIRE.
- If a school owes ED less than $100,000 it must remit payment by check to ED's billing agent.

A school may not reduce amounts reported as net drawdowns on its GAPS Activity Reports to account for expenditures disallowed as a result of an audit or program review. Any Title IV funds returned for this purpose will not be credited to a school's GAPS account.

Unless otherwise directed by the FADL or FPRD letter, a school may not attempt to adjust its prior-year FISAPs or Federal Pell Grant processed payment information to reflect expenditures disallowed as a result of an audit or program review, nor may it make repayments directly to any FFEL Program lender or to the Direct Loan Servicing Center. Sometimes ED requires schools to:

- buy loans,
- make a required refund to a lender,
- send in a separate check for Direct Loan liabilities, or
- return other federal funds to the applicable programs.

Reference:

- GAPS *Payee Guide – August 2000*
- 34 CFR 668.163(c)(4)

Interest Earned

If a school receives funds through advance payment and retains those funds in an interest-bearing or investment account, the school is required to return to ED, at least annually, the amount of interest or investment earnings that exceeds $250. The exception: For Perkins Loan funds, a school must retain and use all interest or investment income earned for authorized purposes of the program.

Schools must return excess interest income to ED by check, indicating on the check that it represents interest earnings. The check should be sent to:

U.S. Department of Education
P.O. Box 952023
St. Louis, MO 63195-2023

The remittance should include the school's DUNS and Document Award Number; it should also indicate that the remittance is for interest earned.

Reference:

- *Student Financial Aid Handbook, Volume 4: Campus-Based Common Provisions*
- DPL CB-00-11
- DPL CB-99-11
- Dear FAA Letter CB 98-7 (LD)

Technical Assistance

Schools needing technical assistance with returning Title IV funds should contact their ED regional office for help.

4.10 Releasing Campus-Based Funds

If a school does not use its total allocation of funds for Title IV campus-based programs (Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant, and Federal Work-Study), the school is required to release unexpended amounts to ED.

In July or August each year, ED electronically sends schools a letter and a Campus-Based Reallocation Form (E40-4P).* The letter advises them that they must release funds not spent by June 30 of that year. In addition, schools are asked to determine the amount of FSEOG and FWS funds they have spent by that date and the amount of Federal Capital Contribution they have not yet requested from GAPS by the same date. Later, a school also must determine the actual amounts spent as of the end of the award year, and during the GAPS liquidation period it must adjust drawdowns for expenditures incurred during the GAPS performance period.

***The Campus-Based Reallocation Form is distributed to schools as an attachment to the FISAP software.**

Reference:

- **See Chapter 3 of this book for more information about releasing campus-based funds and supplemental allocations.**

A school's funds are reduced by the amounts released for the campus-based programs authorization in GAPS for that award year. ED will reallocate these "released" funds by September 30 of the subsequent award year as supplemental allocations for other schools that qualify to receive them for that award year. Deadlines for submitting the Campus-Based Reallocation Form to ED are issued each year in a "Dear Partner" letter.

4.11 Returning Federal Family Education Loan (FFEL) Program Funds

Reference:

- ***Student Financial Aid Handbook, Volume 8: Direct Loan and FFEL Programs***

It is sometimes necessary for a school to return all or a portion of a loan made under the Federal Family Education Loan (FFEL) Program to the lender that made the loan. FFEL Program funds must be returned if:

Reference:

- **See Chapter 2 of this book for more information about return of Title IV funds.**

- a student fails to enroll for an enrollment period for which the loan is intended;
- a student fails to meet satisfactory academic progress or other eligibility requirements (for example, completing entrance loan counseling) at the time the loan is due to be delivered;
- the student withdraws or drops out during an enrollment period for which the loan is intended before funds are delivered to a student, *and* the student is not eligible for a post-withdrawal disbursement;
- a return of funds is due to a lender as a result of a return of Title IV funds calculation; *or*
- a student or parent requests a school to return FFEL Program funds to reduce the borrower's principal loan balance.

Reference:
34 CFR 668.167

Regulations provide for three periods for disbursing and returning FFEL Program funds:

1. initial period

2. conditional period
3. return period

Schools are required to "return funds no later than ten business days" after the school determines the student to be ineligible for FFEL Program funds. This means a school must return a check or initiate an EFT of FFEL funds to the lender by the close of business of the last day of the return period.

Initial Period

Reference:
- *Student Financial Aid Handbook, Volume 8: Direct Loan and FFEL Programs*
- 34 CFR 668.167(b)(1)(ii) and (iii)

Funds that a school receives from a lender in the form of a check made payable to the borrower or co-payable to the borrower and school must be disbursed to the borrower no later than 30 calendar days after the school receives the funds.

Funds received by the school through EFT or master check must be disbursed to the borrower no later than three business days after the school receives the funds.

Conditional Period

Reference:
- *Student Financial Aid Handbook, Volume 8: Direct Loan and FFEL Programs*
- 34 CFR 668.167(b)(2) and (3)

A school has ten business days after the last day of the initial period to deliver FFEL funds received by EFT or master check only if:

1. the school determines that the student has not completed but will complete, the required number of clock hours or credit hours in the preceding payment period within those ten-business days, *or*

2. the student has not met all of the FFEL eligibility requirements (such as registering for the required number of hours, completing entrance loan counseling, or making satisfactory academic progress), but the school expects the student to meet those requirements during this ten-business-day period.

Reference:
- 34 CFR 668.167(c)(2)

A school on the reimbursement payment method may delay returning funds to the lender for an additional 30 calendar days from the date the school receives the funds by EFT or master check.

Return Period

Reference:
- *Student Financial Aid Handbook, Volume 8: Direct Loan and FFEL Programs*
- 34 CFR 668.167(b)(2) and (3)

For FFEL Program funds that a school does not disburse by the end of the initial period or conditional period, as applicable, the school must return the funds to the lender promptly but no later than ten business days from the last day of the initial period or conditional period. However, if a student becomes eligible to receive FFEL Program funds during the return period, the school may deliver those funds to the student provided the delivery of funds is made on or before the last day of the return period, which most often is 30 calendar days.

- ♦ If a student fails to enroll or fails to meet other loan eligibility requirements and the school has disbursed the funds, a school must return loan proceeds to a lender within 30 calendar days of the school determining that the student is not eligible for the loan.

- If a student withdraws from school and is subject to a return of Title IV calculation, a school must return loan proceeds according to the time frame established by the return of Title IV funds regulations. The school must return the funds as soon as possible, but no later than 30 calendar days after the date the school determined the student withdrew.

Reference:
- 34 CFR 682.607(c)
- 34 CFR 668.22(j)
- See Chapter 2 of this book for more information on determining withdrawal dates.

When a school returns a student's FFEL Program loan proceeds within the 30-calendar-day requirement, it must return them to the original lender or the subsequent holder (if the loan has been transferred and the school knows the new holder's identity). The school must also notify the student or parent borrower, in writing, that the funds have been returned.

Reference:
- 34 CFR 682.607(a)
- 34 CFR 668.22

4.12 Returning Direct Loan Funds

Schools must return Direct Loan funds in the event of excess cash, idle cash, or return of Title IV funds calculations.

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- *Direct Loan School Guide*
- DLB 00-40
- DLB 00-22
- DLB 00-19
- DLB 99-40

Direct Loan Excess Cash

Like other Title IV funds, Direct Loan excess cash is any amount of Direct Loan funds a school does not disburse to borrowers by the end of the third business day following the date the school receives the funds. This includes excess funds that result from a downward adjustment of an actual disbursement.

There are three methods by which schools may return excess Direct Loan cash to ED:

- *Check*—A check may be used if the amount of excess cash is less than $100,000. The check should include all excess funds that need to be returned at a given time, not just those for an individual borrower or type of loan. The check and/or accompanying correspondence should include the school's Direct Loan school code and the academic year the funds should be applied against. The school should also indicate that the funds are excess Direct Loan cash. The check should be mailed to:

  Loan Origination Center
  Attn: Excess Cash
  P.O. Box 2011
  Montgomery, AL 36102-2011

- *FEDWIRE*—An electronic-transfer method should be used if the amount of excess cash is $100,000 or more. A school must instruct its bank that the reason for the remittance is Direct Loan excess cash. In the beneficiary section of the wire, include the Direct loan school code, program year, and the words "Excess Cash." The funds are transferred to:

Wachovia Bank, NA, Atlanta GA
Routing Number 061000010
Account Number 13028525

- *GAPS Online Refund Function*—Schools with fewer than 25 open awards have the option of using the GAPS online refund function. To use the online refund function, schools should access the e-Payments Web site, log-on to the site, select "refunds," select "excess cash," select "initiate a refund," and click on "continue." This brings up the school's open awards from which the school can choose the document and bank account desired. GAPS will then take the money from the selected bank account and credit the appropriate document. The transaction will be posted in GAPS within two business days.

Reference:

- http://e-Grants.ed.gov/gapsweb

Idle Cash

For the Direct Loan Program, cash that has been disbursed becomes idle cash* if and when it is returned to the school's Title IV account(s). The return must be reflected in the school's general ledger or subsidiary ledger. This return may be because of a refund, or it may be because other circumstances exist.

***The provision in 34 CFR 668.166(b) concerning the amount of an excess cash balance does not apply to idle cash.**

- For example, a student might receive a Direct Loan disbursement but later returns all or a portion of the loan to the school. Or a student might receive a disbursement and later withdraw or change his or her enrollment status so that all or a portion of the loan proceeds must be returned to the school's Title IV account(s).

Reference:

- *Road to Reconciliation Participant's Workbook (2000)*

A school may maintain idle cash in its federal bank account for up to seven calendar days in order to disburse to, or on behalf of, the student or other students.

Return of Direct Loan Funds

Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- *Direct Loan School Guide*
- DLB 99-74

If a school determines that a student has become ineligible for a portion or all of his or her Direct Loan disbursement, the school must return those funds to the Direct Loan Program. The school must adjust the actual disbursement downward (downward adjustment) and initiate a return of funds. If the school returns the funds to its federal bank account, excess cash tolerances and rules apply.

If a school is returning loan funds at the borrower's request within 120 days of disbursement because the borrower has decided that all or a portion of the funds aren't needed, the school makes the appropriate downward adjustment to the loan record and returns the funds. The borrower is not charged loan fees or interest on the portion of the loan that was returned. If the funds being returned at the borrower's request is more than 120 days after disbursement, then the school must send a check to the Direct Loan payment center to be credited to the borrower's account. No downward adjustment or adjustment to the borrower's loan records are needed. In this case, the borrower will be charged loan fees and interest on the entire loan amount. (See 120-Day Rule chart on page 4-42.)

- *Adjusting actual disbursements (downward adjustment)* — If a Direct Loan return is made within 120 days of a loan's disbursement date, a school may process the return by adjusting an actual disbursement.
    - When an Option 2 school makes a downward adjustment, it returns the net adjustment amount (the amount the borrower returns) to the school's "federal" bank account. An Option 1 or Standard Origination school returns the net adjustment amount to the LOC. When loan funds are returned, the borrower is not responsible for interest or loan fees if the school returns funds to comply with statutory or regulatory requirements.

      With this method, for Option 2 schools, the amount that is canceled or adjusted is returned to the school's federal bank account where it immediately must be disbursed to other eligible borrowers (within three business days) or returned to ED as excess cash.
- *Sending a check* — A school can handle a Direct Loan return much as it handles an FFEL Program loan return, that is, by sending a check to be applied as a payment to a borrower's account. When loan funds are returned, the borrower is not responsible for interest or loan fees if the school returns funds to comply with statutory or regulatory requirements.
    - If a school uses the check method, the school must also supply the information needed to apply the funds to the borrower's account. If a school is returning funds for more than one student, it should send only one check and attach a list of borrowers' names, loan ID numbers, and refund amounts. The school must indicate on the check, list, or other accompanying correspondence that the funds are to be applied to borrowers' accounts as payments. The check and other information should be mailed to:

      Direct Loan Servicing Center
      Attn: Payment Center
      P.O. Box 746000
      Atlanta, GA 30374-6000

If the student withdraws or drops below half-time enrollment *or* the school identifies an overaward 120 days after the date of disbursement, the funds cannot be returned by canceling or adjusting actual disbursements. In these cases, the funds must be returned to the Direct Loan Servicing Center as a payment to the borrower's account. The borrower may or may not be eligible to receive a credit for the loan fee (see the chart below). Schools should not make an electronic adjustment to the borrower's account.

A borrower may also return his or her Direct Loan funds. A credit for the loan fee and interest is given only if the borrower sends the return within 120 calendar days of disbursement. This rule is commonly referred to as the "120-Day Rule."

CREDIT OF LOAN FEE AND INTEREST: THE 120-DAY RULE

Credit of loan fee and interest is given if—

School returns proceeds	Within 120 calendar days of disbursement	***Always***
	More than 120 calendar days after disbursement	***Only if complying with regulations/HEA***

Borrower returns proceeds	Within 120 calendar days of disbursement	Not in repayment	***Always, unless written instructions otherwise***
		In repayment	***Only if written instructions***
	More than 120 calendar days after disbursement	***No credit allowed***	

Chapter 5

Accounting Procedures for Title IV Programs

Summary

Accounting procedures for federally funded student financial assistance programs are extremely important responsibilities for institutions participating in Title IV programs. This chapter deals primarily with recommended accounting procedures for institutions. The aim is to help schools identify any areas of difficulty and potential weaknesses in their fiscal management systems. At the same time, schools can identify those areas that are being managed properly and ensure that proper accounting and bookkeeping procedures are performed.

This chapter is a general guide; it is not intended to replace accounting standards established by the American Institute of Certified Public Accountants (AICPA), Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), or the concept of generally accepted accounting principles (GAAP).

Key Terms*

account number
accounts receivable
asset account
asset reduction account
budget item
capital account
capital reduction account
chart of accounts
checks and balances
clear audit trail
credit
data-input controls
debit
Direct Loan School Account Statement (DLSAS)
Direct Loan Servicing Center (DLSC)
electronic data processing (EDP)
expense account
fund accounting
general ledger
income account
internal control system
journal entry
ledger account
liability account
Loan Origination Center (LOC)
memo journal entry
program balance
reconciliation
restricted funds
revenue account
separation of functions
trial balance

***Key terms are in boldface type when they first appear in the text.**

5.1 Institutional Financial Management Systems

Reference:
- 34 CFR 668, Subpart K

An institution's financial management system must provide effective control over and accountability for all funds received from the U.S. Department of Education's (ED's) Grant Administration and Payment System (GAPS). At a minimum, the institution's system must provide:

- accurate, current, and complete disclosure of the financial status of each federal aid program or project sponsored by ED;
- records that adequately identify the source and application of funds for sponsored activities and contain information on institutional awards, authorizations, obligations, unobligated balances, assets, income, liabilities, revenues, expenditures, and cash disbursements;
- effective control over and accountability for all funds, property, and other assets, including adequate safeguarding of all such assets to ensure that they are used solely for authorized purposes;
- comparison of actual expenditure amounts with amounts budgeted for each Title IV program;
- procedures to ensure the efficient transfer of funds when they are advanced through electronic methods (these procedures must limit the time between the transfer of funds from the U.S. Treasury and cash disbursement by the institution to students so that it is no later than three business days following the receipt of funds);
- procedures according to the applicable terms of the Title IV program for determining reasonableness, allowability, and allocability of costs;
- accounting records that are supported by audit trail documentation; *and*
- examinations in the form of external or internal audits, which must be made according to generally accepted auditing standards and government auditing standards.

5.2 Bookkeeping and Recordkeeping

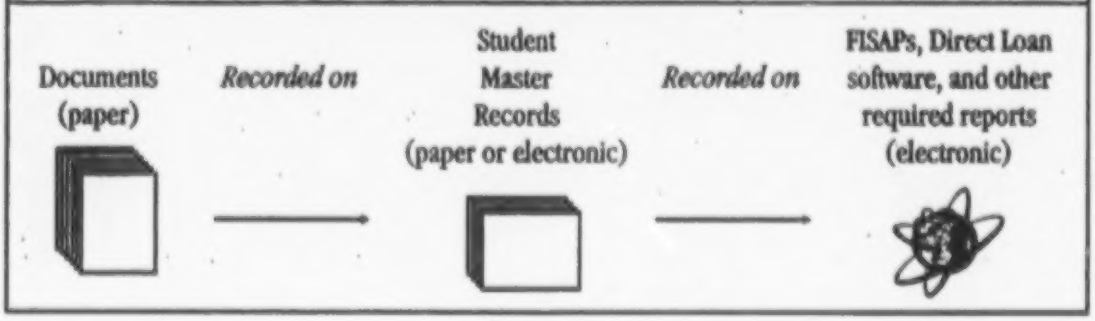
An effective institutional financial aid program requires a cooperative effort among all school offices involved in delivering financial aid to students. Separate reporting and recordkeeping responsibilities required of each office, as well as shared responsibilities, are detailed in Chapter 2.

Reference:
- See Chapter 2 of this book for more information about recordkeeping requirements.

The business office is responsible for most financial accounting and recordkeeping, except for detailed records and files on individual financial aid recipients that must be kept in the financial aid office. The remainder of this chapter is designed to help the business office satisfy its accounting responsibilities efficiently and with a minimum of effort.

The following flowchart gives an overview of recordkeeping within an institution's financial aid office from initial documents through final reports.

Overview of Recordkeeping in a Financial Aid Office


Documents (paper)
Recorded on
Student Master Records (paper or electronic)
Recorded on
FISAPs, Direct Loan software, and other required reports (electronic)

As illustrated in the flowchart, a student or parent submits documents in a paper format. The school has the option of storing these documents in a paper format or an imaged format. However, the school is required to electronically report to ED certain aspects of its Title IV program management system. If a school uses paper files, collecting the required data in an electronic format could be difficult.

Reference:

- **See Chapter 2 of this book for more information about recordkeeping requirements.**

Records to be maintained include:

- a student's application for financial aid (Free Application for Federal Student Aid [FAFSA]);
- a student's master promissory note (MPN) or parent's application/promissory note for a Federal Family Education Loan (FFEL) or a Federal Direct Loan, if it applies*;
- a copy of the school's award notification to the student;

***Schools that serialize loans under one initial MPN may not be required to collect a MPN each award year.**

***This part of the checks-and-balances process is normally built into automated financial aid systems. As a result, schools with automated systems are not required to keep paper documentation of this on file.**

****Schools now have the option to query the National Student Loan Data System (NSLDS) to research a student's financial aid history. Starting on July 1, 2001, schools may also do this for students who transfer mid-year.**

- an "authorization to disburse" record from the financial aid office to the business office*;
- the record of financial aid received to date by students, broken out by each Title IV program;
- the student's eligible noncitizen documentation (if it applies);
- the student's ability-to-benefit documentation (if it applies);
- the student's financial aid transcript (if required)**;
- the school's Fiscal Operations Report and Application to Participate (FISAP) and supporting documentation;
- the school's Direct Loan reconciliation reports (if it applies);
- the student's Student Aid Report (SAR) or Institutional Student Information Record (ISIR), in the format it was received from ED; *and*
- the student's verification data (if it applies).

Bookkeeping and recordkeeping systems should be designed to:

- enable timely internal and external financial reporting,
- ensure proper filing of applications, *and*
- create accurate final reports, as well as to meet documentation requirements for various Title IV financial aid programs.

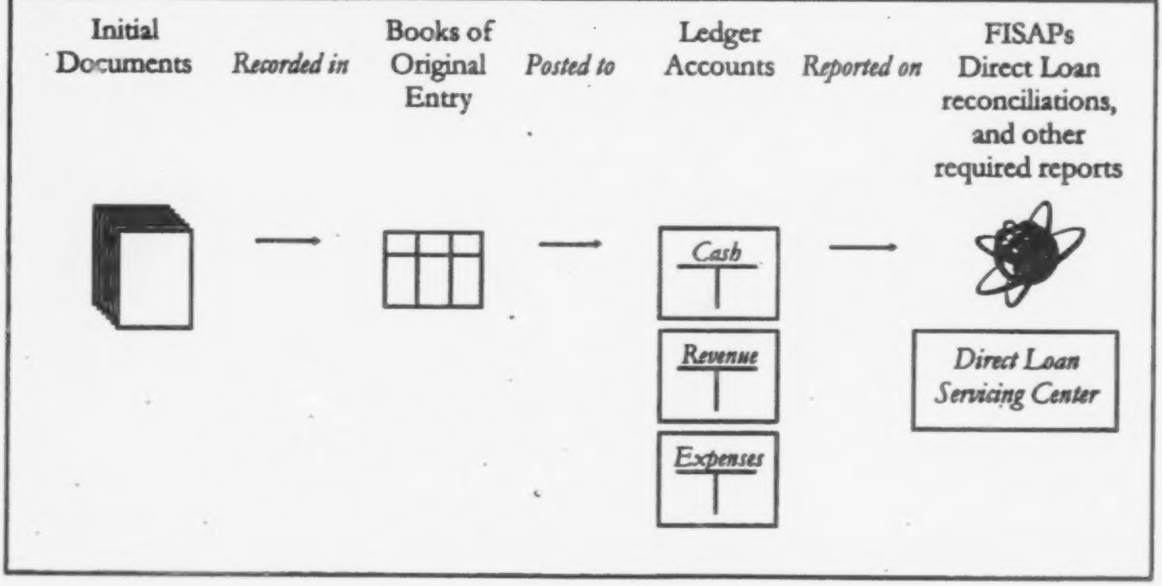
When designing an accounting system, the chart of accounts, books of original entry, billing, reporting requirements, and other financial aid information should all be taken into consideration.

- For example, the numerous ledger accounts set up for an institution's Federal Perkins Loan fund are created to assist the school in preparing year-end reports that must be filed with ED. The institution can simply copy the information from its ledgers to the electronic FISAP format supplied by ED just before closing entries at the end of the award year. This procedure does not allow for destroying original documentation, but it does permit quick and accurate reference to needed information.

The flowchart below gives an overview of the accounting activities within an institution's business office, from initial documents through final reports. (The business office may also maintain Direct Loan **reconciliation** reports at some schools.) With this system in mind, staff members can see how the entire system fits together and how the **journal entries** fit into the system. Examples of initial documents maintained in the business office and posted to **ledger accounts** include:

- cash receipts,
- checks, *and*
- original journals.

Overview of Accounting Activities in a Financial Aid Office



An important **general ledger** account is *Student Accounts Receivable*; each individual student's school account is a subsidiary of this account. A sample student account is shown on the next page.

Sample Student Account Receivable Card:
Tom Sawyer, Fall 2001

Date	Item	Description	Debits (Charges)		Balance
09/07/01	Tuition	12 Credit Hours	$2,000	$0	$2,000
09/07/01	Room	Dorcas Hall	$2,500	$0	$4,500
09/07/01	Board	The Commons	$3,000	$0	$7,500
09/07/01	Aid	Merit Scholar	$0	$2,000	$5,500
09/07/01	Aid	Perkins Loan	$0	$1,000	$4,500
09/07/01	Aid	Stafford Loan	$0	$2,300	$2,200
				Balance Due:	$2,200

5.3 Accounting

A school's financial accounting system must meet internal and external information needs. The organizational structure of the accounting system should be designed to accommodate both of these venues.

Accounting Principles (Fund Accounting)

Fund accounting is the method of segregating assets into categories according to restrictions placed on their use by a funding source. When designing a chart of accounts, institutions need to consider their fund-accounting needs, particularly with respect to **restricted funds** or funds that are initially restricted. The chart of accounts should accurately reflect the school's current organization and programs, and it should have the flexibility to accommodate any future changes in the organization.

Chart of Accounts

As an aid in discussing records and accounting techniques for financial aid programs, the following summary **chart of accounts** lists accounts considered necessary for institutions to account properly for Title IV program funds. These accounts may be set up in either a manual or automated accounting system. Either system will need the basic suggested ledger accounts to meet ED's minimum program and fiscal requirements, as well as the institution's external reporting requirements, such as basic financial statements and fund statements. Such a system will serve to meet the accounting needs of the institution, ED, and other federal agencies. Additional accounts may be added as deemed necessary by the institution. These accounts should be reviewed at least annually to determine if additions or deletions are necessary to meet changes in federal regulations.

The chart of accounts is a primary internal-control mechanism delineating the framework of the accounts. This chart has two components: (1) a fund number and (2) an **account number** that usually follows a standard account-code structure (a definition, by name, of the account code). A uniform numbering scheme is used here to assist in identifying the parts of the financial statements on which ledger accounts are located. The numbers assigned to these ledger accounts are arbitrarily assigned, but in sequential order, and these specific numbers are not required to put these ledgers in place in institutional accounting systems.

In all cases, the first digit of an account number identifies an element of the financial statements, as follows:

1 - **Asset Account**

2 - **Asset Reduction Account**

3 - **Liability Account**

4 - **Capital Account** (*or* **Program Balance**)

5 - **Capital Reduction Account**

6 - **Income Account** (*or* **Revenue Account**)

7 - **Expense Account**

Each federal student financial aid program contains some or all of the elements of the financial statements outlined here. Each is self-balancing and is separated completely from other programs and from the general operating fund of the institution. Within each program, the sum of ledger accounts with **debit** balances equals the sum of ledger accounts with **credit** balances.

In the following Summary Chart of Accounts, award authorizations are not shown. It is recommended that they be booked as a **memo journal entry** or **budget item**. Then, as award authorizations are adjusted, appropriate adjustments to budget figures would be entered. This process helps ensure that drawdown amounts do not exceed authorization levels.

Note: The GAPS account shown in the Summary Chart of Accounts, account # 1-2 (Accounts Receivable, GAPS) is used only if an institution does not use the reimbursement payment method for drawing down Title IV funds. The accounting for the reimbursement method will not be covered here. However, account # 1-2 should be booked as any other account receivable. Each respective subsidiary ledger would also book the receivable.

Summary Chart of Accounts

GAPS Accounts (Title IV Funds Only, Not Including Direct Loans)

To help in calculating excess cash and interest earnings on Title IV aid funds (Federal Pell Grant, FSEOG, FWS, and Federal Perkins Programs) and, in accordance with cash management regulations issued on December 1, 1994, separate GAPS accounts should be established for Title IV aid funds and for non-Title IV aid funds. In addition, because Direct Loan Program funds are not reported on GAPS and use a separate GAPS account number, the funds would not be included in either of these separate accounts.

1 - Asset Accounts
    1 - 1 Cash Control, GAPS
    1 - 2 Accounts Receivable, GAPS

3 - Liability Accounts - None

4 - Capital Accounts - None

6 - Income Accounts - None*

7 - Expense Accounts - None*

***GAPS is the only case in which income and expense ledgers are not maintained.**

National Finance Center (NFC) Accounts

NFC accounts are needed to reflect amounts of Title IV program funds disallowed after the program authorization account has been closed (removed from GAPS).

1 - Asset Accounts
    1 - 1 Cash Unremitted to NFC
    1 - 2 Due from School

3 - Liability Accounts
    3 – 1 Accounts Payable, NFC

4 - Capital Accounts - None

6 - Income Accounts - None

7 - Expense Accounts - None

Federal Pell Grant Accounts

1 - Asset Accounts
  1 - 1 Cash, Federal Pell Grants

3 - Liability Accounts - None

4 - Capital Accounts - None

6 - Revenue Accounts
  6 - 1 Transfer from GAPS - Federal Pell Grants for Students
  6 - 2 Federal Reimbursement of Pell Grant Administrative Cost Allowance (ACA)

7 - Expense Accounts
  7 - 1 Student Grants Paid - Federal Pell Grant
  7 - 2 Administrative Cost Allowance (ACA) Paid to Institution

Federal Supplemental Educational Opportunity Grant (FSEOG) Accounts

1 - Asset Accounts
  1 - 1 Cash, FSEOG

3 - Liability Accounts - None

4 - Capital Accounts - None

6 - Income Accounts
  6 - 1 Transfer from GAPS - FSEOG
  6 - 2 Institution's Cash Contribution
  6 - 3 Institution's NonCash Contribution (Memo Account)

7 - Expense Accounts
  7 - 1 Student Grants Paid - FSEOG
  7 - 2 Student Grants - FSEOG from NonCash Contribution (Memo Account)
  7 - 3 Administrative Cost Allowance (ACA) Paid to Institution (if applicable)

Federal Work-Study (FWS) Accounts

1 - Asset Accounts
  1 - 1 Cash, Federal Work-Study
  1 - 2 Accounts Receivable, Off-Campus Entities

3 - Liability Accounts

- 3 - 1 Federal Income Taxes Withheld
- 3 - 2 Social Security Taxes Withheld
- 3 - 3 State Income Taxes Withheld
- 3 - 4 Other Withholdings
- 3 - 5 Accrued Wages Payable
- 3 - 6 Employer's Payroll Taxes Payable

4 - Capital Accounts - None

6 - Income Accounts

- 6 - 1 Transfer from GAPS - Federal Work-Study
- 6 - 2 Institution's Cash Contribution
- 6 - 3 Institution's NonCash Contribution (Memo Account)
- 6 - 4 Off-Campus Employer's Contribution, Public/Private Nonprofit Entities
- 6 - 5 Off-Campus Employer's Contribution, Private For-Profit Entities

7 - Expense Accounts

- 7 - 1 Student Wages - On-Campus
- 7 - 2 Student Wages - On-Campus, NonCash Contribution for Nonfederal Share (Memo Account)
- 7 - 3 Student Wages - Off-Campus, Public/Private Nonprofit Entities
- 7 - 4 Student Wages - Off-Campus, Private For-Profit Entities
- 7 - 5 Regular Job Location and Development (JLD) Expenses Paid to Institution
- 7 - 6 Administrative Cost Allowance (ACA) Paid to Institution

Federal Perkins Loan Accounts

1 - Asset Accounts

- 1 - 1 Cash, Federal Perkins Loans
- 1 - 2 Funds Advanced to Students*

***If the institution tracks funds advanced to students who are out of school, this information may be placed as a footnote to the subsidiary ledger.**

2 - Asset Reduction Accounts

- 2 - 1 Loan Principal Collected
- 2 - 2 Defaulted Loan Principal - Assigned to Federal Government
- 2 - 3 Loan Principal Canceled - Teaching Service (10% Rate), Loans Made Prior to 7/1/72
- 2 - 4 Loan Principal Canceled - Teaching Service (15% Rate), Loans Made Prior to 7/1/72
- 2 - 5 Loan Principal Canceled - Military Service (12.5% Rate), Loans Made Prior to 7/1/72
- 2 - 6 Loan Principal Canceled - Teaching Service (15% Rate), Loans Made 7/1/72 and After
- 2 - 7 Loan Principal Canceled - Teaching Service (20% Rate), Loans Made 7/1/72 and After

2 - 8	Loan Principal Canceled - Teaching Service (30% Rate), Loans Made 7/1/72 and After
2 - 9	Loan Principal Canceled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (15% Rate), Loans Made 7/23/92 and After
2 - 10	Loan Principal Canceled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (20% Rate), Loans Made 7/23/92 and After
2 - 11	Loan Principal Canceled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (30% Rate), Loans Made 7/23/92 and After
2 - 12	Loan Principal Canceled - Military Service (12.5% Rate), Loans Made 7/1/72 and After
2 - 13	Loan Principal Canceled - Death
2 - 14	Loan Principal Canceled - Disability
2 - 15	Loan Principal Canceled - Bankruptcy
2 - 16	Loan Principal Canceled - Peace Corps or VISTA (15% Rate)
2 - 17	Loan Principal Canceled - Peace Corps or VISTA (20% Rate)
2 - 18	Loan Principal Canceled - Head Start (15% Rate)
2 - 19	Loan Principal Canceled - Volunteer Service (15% Rate)
2 - 20	Loan Principal Canceled - Volunteer Service (20% Rate)
2 - 21	Loan Principal Canceled - Law Enforcement and Corrections Officer Service (15% Rate)
2 - 22	Loan Principal Canceled - Law Enforcement and Corrections Officer Service (20% Rate)
2 - 23	Loan Principal Canceled - Nurse/Medical Technician (15% Rate)
2 - 24	Loan Principal Canceled - Nurse/Medical Technician (20% Rate)
2 - 25	Loan Principal Canceled - Nurse/Medical Technician (30% Rate)
2 - 26	Loan Principal Canceled - Child/Family and Early Intervention Service (15% Rate)
2 - 27	Loan Principal Canceled - Child/Family and Early Intervention Service (20% Rate)
2 - 28	Loan Principal Canceled - Child/Family and Early Intervention Service (30% Rate)
2 - 29	Loan Principal Canceled for Loans Discharged Due to Closed Schools
2 - 30	Loan Principal Adjustments - Other

3 - Liability Accounts* - None

***Current accounting includes Federal Capital Contributions (FCCs) as a liability rather than as capital since these amounts are to be repaid to the federal government.**

4 - Capital Accounts
- 4 - 1 Federal Fund Balance
- 4 - 2 Institutional Fund Balance

6 - Income Accounts
- 6 - 1 Funds Transferred from GAPS - Perkins - FCC
- 6 - 2 Funds Transferred from Institution - Perkins - ICC
- 6 - 3 Interest Earned on Loans
- 6 - 4 Other Earnings - Late Charges on Loans Made 7/1/87 and After
- 6 - 5 Other Earnings - Miscellaneous
- 6 - 6 Reimbursement of Amounts Canceled on Loans Made 7/1/72 and After
- 6 - 7 Repayments to Federal Government
- 6 - 8 Repayments to Institution

7 - Expense Accounts
- 7 - 1 Litigation Expenses
- 7 - 2 Administrative Cost Allowance (ACA) Paid to Institution
- 7 - 3 Other Collection Expenses
- 7 - 4 Cost of Loan Principal and Interest Canceled - Teaching Service, Loans Made Prior to 7/1/72
- 7 - 5 Cost of Loan Principal and Interest Canceled - Teaching Service, Loans Made 7/1/72 and After
- 7 - 6 Cost of Loan Principal and Interest Canceled - Military Service, Loans Made Prior to 7/1/72
- 7 - 7 Cost of Loan Principal and Interest Canceled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education), Loans Made 7/23/92 and After
- 7 - 8 Cost of Loan Principal and Interest Canceled - Military Service, Loans Made 7/1/72 and After
- 7 - 9 Cost of Loan Principal and Interest Canceled - Death
- 7 - 10 Cost of Loan Principal and Interest Canceled - Disability
- 7 - 11 Cost of Loan Principal and Interest Canceled - Bankruptcy
- 7 - 12 Cost of Loan Principal and Interest Canceled - Peace Corps or VISTA
- 7 - 13 Cost of Loan Principal and Interest Canceled - Head Start
- 7 - 14 Cost of Loan Principal and Interest Canceled - Volunteer Service
- 7 - 15 Cost of Loan Principal and Interest Canceled - Law Enforcement and Corrections Officer Service
- 7 - 16 Cost of Loan Principal and Interest Canceled - Nurse/Medical Technician

    7 - 17 Cost of Loan Principal and Interest Canceled - Child/Family and Early Intervention Service
    7 - 18 Cost of Defaulted Loan Principal and Interest Assigned to Federal Government
    7 - 19 Other Costs or Losses

William D. Ford Federal Direct Loan (Direct Loan) Accounts

1 - Asset Accounts
    1 - 1 Cash, Direct Loans
    1 - 2 Accounts Receivable, GAPS
    3 Liability Accounts - None

4 - Capital Accounts - None

6 - Income Accounts
    6 - 1 Income from GAPS - Direct Loans

7 - Expense Accounts
    7 - 1 Funds Advanced to Borrowers

Reference:

- See Section 4.5 of this book.

Electronic Funds Transfer (EFT) of Federal Family Education Loan (FFEL) Funds from Lenders to the Institution

1 - Asset Accounts
    1 - 1 Cash, FFEL Account
    1 - 2 Cash, Returned to Lenders
    1 - 3 Cash, Disbursed to Borrowers
    1 - 4 Cash, Interest Earnings

3 - Liability Accounts
    3 - 1 FFEL Trust Account

4 - Capital Accounts - None

6 - Income Accounts
    6 - 1 Interest Earnings from Investment of FFEL Funds

7 - Expense Accounts - None

GAPS Title IV Accounts

1 - 1 Cash Control, GAPS: This account may be a debit or credit balance account depending on the timing of drawdowns and disbursements. It is established to identify the balance of federal cash disbursed to a school through GAPS. The system described here segregates federal cash by using separate accounts for GAPS Title IV-funded programs. These separate GAPS accounts allow reconciliation of funds sent and/or available through GAPS. Separate checking accounts need not be maintained for each program as long as school records indicate precisely where cash was used.

Debit this account for:

- All cash received from GAPS for all Title IV programs, except Direct Loans payment for origination services, Pell Grants ACA reimbursement, or Perkins Loan cancellation reimbursements (contra account # 1-2).
- All unexpended cash on programs when accountability has been transferred to NFC (contra account # 1-2).

Credit this account with:

- All cash transferred to programs.
- Excess cash billings paid to National Finance Center (NFC) (contra account # 1-2).

***A different accounting treatment is needed if an institution uses the reimbursement payment method for drawing down Title IV funds.**

1 - 2 Accounts Receivable, GAPS: This account can be a debit or credit balance account depending on the timing of disbursements and drawdowns. It represents all amounts due from all open-status GAPS-funded programs.* The debit balance may exist between the time funds are requested from GAPS and the time they are received.

Debit this account for:

- Amount of awards disbursed to students and recorded as income transferred from GAPS in each respective Title IV program account.

Credit this account for:

- Cash received from GAPS (contra account # 1-1).
- Any unexpended program balances after accountability has been transferred to NFC (contra account # 1-1).

National Finance Center (NFC) Accounts

1 - 1 Cash Unremitted to NFC: This account is used to reflect that a portion of cash is no longer under GAPS accountability; the accountability has been transferred to the National Finance Center (NFC).

This cash is segregated when a grant's final closing amount is in dispute. Accounting for the funds here reflects a transfer of accountability from GAPS. If more than one program is in dispute, separate subsidiary accounts should be set up for each program. Disallowed expenditures on open, current-year GAPS accounts are recorded by reclassifying those expenditures from the specific program account to institutional accounts and then reinstating that same amount from the Title IV program account to the GAPS account.

Debit this account for:

- Cash received from the institution for disallowed expenditure (contra account # 1-2).
- Interest earnings on Title IV funds that exceed the regulatory threshold (contra account # 3-1).

Credit this account with:

- Amounts remitted to NFC (contra account # 3-1).

1 - 2 Due from School: This debit balance account reflects amounts due from the school as a result of disallowed expenditures on closed accounts not under GAPS accountability.

Debit this account for:

- Billings from NFC for expenditures disallowed by program review or audit, excess cash, and the like (contra account # 3-1).

Credit this account for:

- Cash received from the institution (contra account # 1-1).

3 - 1 Accounts Payable, NFC: This account is normally a credit balance account that reflects any liabilities to NFC as a result of cash accountability separated from GAPS as described earlier *or* disallowed expenditures on programs not under GAPS accountability *or* excess interest earnings returnable to ED through NFC.

Debit this account for:

- Amounts remitted to NFC (contra account # 1-1).

Credit this account with:

- Billings from NFC (contra account # 1-2).
- Interest earnings returnable to NFC (contra account # 1-1).

Federal Pell Grant Accounts

1 - 1 Cash, Federal Pell Grants: All receipts and disbursements of cash related to the Pell Grant Program are recorded in this account. Typically, this account would show a zero balance after each period's entries are posted, as the transfer of funds from GAPS should equal only the amount of grants to be paid immediately to students.

Reference:

- See Section 4.2 of this book.

Debit this account for:

- Transfers from GAPS account (contra account # 6-1).
- Recoveries from recipients (contra account # 7-1).

Credit this account with:

- Payments to students (contra account # 7-1).

6 - 1 Transfer from GAPS - Federal Pell Grants for Students: This credit balance account controls the transfer of cash from the GAPS account "Cash Control, GAPS" to the Pell Grant account "Cash, Federal Pell Grants." Such cash transfers should be made only in the precise amounts needed immediately to pay grants to students.

Debit this account for:

- Closing entry at end of accounting fiscal year, the total amount of cash transferred from GAPS account to meet disbursement needs for the period (contra account # 7-1).

Credit this account with:

- Cash transferred from GAPS account to meet current disbursement needs (contra account # 1-1).

6 - 2 Federal Reimbursement of Pell Grant Administrative Cost Allowance (ACA): This credit balance account is used to deposit the reimbursements received by electronic funds transfer (EFT) from ED for Pell ACA.

Debit this account for:

- Closing entry at end of accounting fiscal year for the amount of Pell ACA reimbursements (contra account # 7-2).

Credit this account with:

- ACA payments received via EFT from ED (contra account # 1-1).

7 - 1 Student Grants Paid - Federal Pell Grant: This debit balance account is maintained to record payments made to students for Pell Grants.

Debit this account for:

- Grant payments made to students (contra account # 1-1).

Credit this account with:

- Recoveries from recipients (contra account # 1-1).

- Closing entry at end of accounting fiscal year for the total amount of grant payments made to students for the accounting period (contra account # 6-1).

7 - 2 Administrative Cost Allowance (ACA) Paid to Institution: This debit balance account is maintained to record payments made to the institution for administrative costs. This amount cannot exceed the amount set by regulations.

Debit this account for:

- ACA paid to the institution (contra account # 1-1).

Credit this account with:

- Closing entry at the end of the accounting period (contra account # 6-2).

Federal Supplemental Educational Opportunity Grant (FSEOG) Accounts

1 - 1 Cash, FSEOG: All receipts and disbursements of cash related to the Federal Supplemental Educational Opportunity Grant (FSEOG) Program are recorded in this account. Typically, this account shows a zero balance after each period's entries are posted, as the transfer of funds from GAPS should be only for the amount of grants to be paid to students immediately and for administrative expenses.

Debit this account for:

- Transfers from GAPS account (contra account # 6-1).
- Cash contributions of the institution (contra account # 6-2).

Credit this account with:

- Payments to students (contra account # 7-1).
- Payments to institution for administrative cost allowance (contra account # 7-3).

6 - 1 Transfer from GAPS - FSEOG: This revenue account is maintained to control the transfer of cash from the GAPS account "Cash Control, GAPS" to the FSEOG account "Cash, FSEOG." Such transfers of cash should be made only in the precise amounts needed to pay awards and ACA (if applicable) on a current basis.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra accounts # 7-1, 7-3).

Credit this account with:

- Amounts of cash transferred from the GAPS account to meet the federal share of current FSEOG grants (contra account # 1-1).

6 - 2 Institution's Cash Contribution: This credit balance account is maintained to record cash contributions made by the institution to provide (together with any noncash contribution) the nonfederal share of FSEOG grants.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra account # 7-1).

Credit this account with:

- Amounts of cash provided by the institution to pay its share of current FSEOG grants (contra account # 1-1).

6 - 3 Institution's Noncash Contribution (Memo Account): This credit balance account is maintained to record noncash contributions made by the institution to provide (together with any cash contribution) the required nonfederal share of FSEOG grants.

Debit this account for:

- Closing entry, the cash value of all tuition rebates or similar credits to student accounts as the nonfederal share of FSEOG awards at end of accounting fiscal year (contra account # 7-2).

Reference:

- See Section 2.10 of this book for information on student master records.

Credit this account with:

- Noncash contributions provided from institutional resources to pay the nonfederal share of current FSEOG grants, including payments made directly to students from institutional funds (contra account # 7-2).

7 - 1 Student Grants Paid - FSEOG: This expense account is maintained to help prepare required FSEOG Program reports. If the institution transfers cash to provide the required percent of the federal share, then this account would record both the federal and nonfederal shares of FSEOG grants. The debit balance in this account combined with account # 7-2, before closing, should agree with the sum of the individual award amounts shown in student records as FSEOG grants for the current year.

Debit this account for:

- Payments to students for FSEOG grants (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 6-1).

7 - 2 Student Grants - FSEOG From Noncash Contributions (Memo Account): This expense account is used if the institution makes noncash contributions and pays students a portion of their FSEOG grants directly from institutional resources.

Debit this account for:

- Payments to students for FSEOG grants from institutional resources (contra account # 6-3).

Credit this account for:

- Closing entry at end of accounting fiscal year (contra account # 6-3).

7 - 3 Administrative Cost Allowance (ACA) Paid to Institution (if applicable): This expense account is used to record ACA as it is paid to the institution. Such payments are limited by regulations and may not be made from FSEOG funds unless students received FSEOG funds during the period.

Debit this account for:

- Payments to institution for administrative expenses (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 6-1).

Federal Work-Study (FWS) Accounts

1 - 1 Cash, Federal Work-Study: All receipts and disbursements of cash related to the Federal Work-Study (FWS) Program are recorded in this account. Any debit balance remaining after payroll payment should consist solely of institutional and/or off-campus employer funds, as federal funds should be transferred from the GAPS Cash Control Account (GAPS account # 1-1) only in the precise amount needed for the federal share of current disbursements.

Reference:
- See Section 4.2 of this book.

Debit this account for:

- Federal contributions transferred from GAPS account (contra account # 6-1).
- Cash contributions of the institution (contra account # 6-2).

- Cash payments of off-campus employers (contra account # 1-2).
- Cash paid into fund by the institution for later payment of employer's share of payroll taxes (contra account # 3-6).
- Cash contributions paid by the institution for off-campus employers that have not paid their nonfederal share (contra account # 1-2).

Credit this account with:

- Federal share of on-campus compensation and federal and nonfederal shares of off-campus compensation to students (contra accounts # 3-5, 7-3, 7-4).
- Administrative expenses paid to the institution (contra account # 7-6).
- Refund of contribution to the institution (contra account # 6-2).
- Refund of contribution to off-campus employers (contra account # 1-2).
- Payment for compensation withheld (contra accounts # 3-1, 3-2, 3-3, 3-4).
- Payment of employer's payroll taxes (contra account # 3-6).
- Job Location and Development Program expenses paid to the institution (contra account # 7-5).

1 - 2 Accounts Receivable, Off-Campus Entities: This account is used to record the amounts due from off-campus employers for the nonfederal share of student wages. Separate subsidiary accounts should be set up for each off-campus entity.

Debit this account for:

- Amounts to be provided by off-campus employers to pay the required percent of the nonfederal share of wages of students employed off campus (contra accounts # 6-4, 6-5).
- Refunds to off-campus employers of excess cash contributions (contra account # 1-1).

Credit this account for:

- Cash paid by off-campus employers (contra account # 1-1).
- Cash paid by institution for off-campus employers that have not paid their nonfederal share (contra account # 1-1).

***Both half-time and full-time students working in FWS jobs do not need to pay FICA if they are employed on campus.**

3 - 1 Federal Income Taxes Withheld

*3 - 2 Social Security Taxes Withheld**

3 - 3 State Income Taxes Withheld

3 - 4 Other Withholdings

If withholding is necessary, these accounts are used to record the tax amounts withheld from the pay of students employed under the Federal Work-Study Program.

Debit these accounts for:

- Taxes paid to the appropriate agency for federal income taxes, Social Security taxes (when applicable), state income taxes, and other taxes (contra account # 1-1).

Credit these accounts with:

- Amounts withheld from students' pay for payment of federal income taxes, Social Security taxes (when applicable), state income taxes, and other taxes (contra accounts # 7-1, 7-3, 7-4).

3 - 5 Accrued Wages Payable: This account is used to accumulate student wages earned but not paid by the end of a report period. This is necessary because the Federal Work-Study portion of the FISAP report requires compensation earned during the reporting period to be reported, regardless of when it is paid. The drawdown of cash from the GAPS Cash Control Account is on a cash basis, and funds are not drawn down until accrued wages have actually been disbursed (paid).

Debit this account for:

- Amounts of gross compensation earned in the previous reporting period and paid during the current period (contra account # 1-1).

Credit this account with:

- Gross compensation earned, but not yet paid at the end of the reporting period (contra accounts # 7-1, 7-2, 7-3, 7-4).

3 - 6 Employer's Payroll Taxes Payable: This credit balance account is maintained to record the amount of payments due by the institution for the employer's share of payroll taxes on accounts of students employed under the Federal Work-Study Program. Federal Work-Study funds may not be used to pay any portion of such taxes. At some schools, the employer's share of payroll taxes is handled directly from the general fund, and off-campus employers' payments for their share of payroll taxes are reimbursed to the general fund rather than transferring the amount into the FWS fund. In this case, account # 3-6 would not be needed in the FWS set of accounts.

Debit this account for:

- Amounts of payroll taxes paid (contra account # 1-1).

Credit this account with:

- Amounts of payroll taxes payable from cash amounts transferred by the institution or off-campus employers to pay their share of payroll taxes (contra account # 1-1).*

***Note: A student may be exempt from tax withholding while enrolled. However, if the student is employed between terms or in the summer, when the student is not enrolled, withholding must be made.**

6 - 1 Transfer from GAPS - Federal Work-Study: This credit balance account controls the transfer of cash from the GAPS account, "Cash Control, GAPS" to the FWS account, "Cash, Federal Work-Study." Such transfers of cash should be made only in the precise amounts needed for the federal share of current payroll, plus administrative expenses and Job Location and Development Program expenses. No transfer of cash should occur until the federal share of the currently payable payroll has been calculated.

Reference:

- See Section 4.2 of this book.

Debit this account for:

- The federal share of wages earned (contra accounts # 7-1, 7-3, 7-4).
- Administrative expenses paid to the institution (contra account # 7-6).
- Job Location and Development Program expenses paid to the institution (contra account # 7-5).

Credit this account with:

- Amounts of cash transferred from the GAPS account "Cash Control, GAPS" to meet current disbursement needs (contra account # 1-1).

6 - 2 Institution's Cash Contribution: This credit balance account is used only if the institution transfers cash to provide the required percent of the nonfederal share of student wages on campus, then pays both the federal share and nonfederal shares of campus wages from these accounts.

Debit this account for:

- Refund to the institution of excess cash advances (contra account # 1-1).
- Closing entry, the nonfederal share (that is, the share for which Federal Work-Study funds are not available) of cash wages paid to students employed on campus (contra account # 7-1).

Credit this account with:

- Amounts of cash provided by the institution to pay its share of on-campus student wages (contra account # 1-1).

6 - 3 Institution's Noncash Contribution (Memo Account): This credit balance account records the amount of wages "paid" to students by the institution through tuition rebates and other such noncash means, as well as amounts paid directly to students from institutional funds.

Debit this account for:

- Closing entry, the cash value of all tuition rebates or similar credits to student accounts made by the institution during the reporting period as its share of on-campus student wages (contra account # 7-2).

Credit this account with:

- Each pay period, the cash value of all tuition rebates or similar credits to student accounts as its share of on-campus student wages (contra account # 7-2).

6 - 4 Off-Campus Employer's Contribution, Public/Private Nonprofit Entities

6 - 5 Off-Campus Employer's Contribution, Private For-Profit Entities

These credit balance accounts are maintained to record contributions due from off-campus employers to provide the required percent (or more) of the nonfederal share of student wages earned off campus.

Debit these accounts for:

- Closing entry, nonfederal share (that is, the share for which Federal Work-Study funds are not available) of wages paid to students employed off campus (contra accounts # 7-3, 7-4).

Credit these accounts with:

- Amounts to be provided by off-campus employers to pay the required percent of the nonfederal share of wages of students employed off campus (contra account # 1-2).

7 - 1 Student Wages - On-Campus: This expense account is maintained to record the federal share of Federal Work-Study wages. If the institution transfers cash to provide the required percent of the federal share, then this account would record both the federal and nonfederal shares of wages. This account may be further subdivided into categories such as instruction, research, public service, and so on, to facilitate nonfederal functional reporting.

Debit this account for:

- The federal share of wages earned by students in on-campus employment from the first day to the last day of the reporting period (posted from payroll vouchers, adjusted as necessary for accruals) (contra accounts # 1-1, 3-1, 3-2, 3-3, 3-4, 3-5).

Credit this account with:

- Closing entry for the federal share of wages earned on campus (contra account # 6-1).

7 - 2 Student Wages - On-Campus, Noncash Contribution for Nonfederal Share (Memo Account): This expense account is maintained to record the nonfederal share of student wages paid from the institution's tuition rebates or similar credits.

Debit this account for:

- The nonfederal share of wages "paid" to students through tuition rebates and other noncash means (contra account # 6-3).

Credit this account for:

- Closing entry for, the nonfederal share of wages earned on campus (contra account # 6-3).

7 - 3 Student Wages - Off-Campus, Public/Private Nonprofit Entities

7 - 4 Student Wages - Off-Campus, Private For-Profit Entities

These expense accounts are maintained to help prepare required Federal Work-Study Program reports.

Debit these accounts for:

- Gross amount of wages earned by students in off-campus employment from the first day to the last day of the reporting period (posted from payroll vouchers, adjusted as necessary for accruals) (contra accounts # 3-1, 3-2, 3-3, 3-4, 3-5).

Credit these accounts with:

- Closing entry for the nonfederal share of wages earned off campus (contra accounts # 6-4, 6-5).

7 - 5 Regular Job Location and Development (JLD) Expenses Paid to Institution: This expense account is maintained to record payments made to the institution for Job Location and Development (JLD) Program expenses. This amount cannot exceed the lesser of $50,000 or 10 percent of the institution's Federal Work-Study (FWS) authorization for the award year to locate and develop off-campus jobs, including community-service jobs. Jobs located or developed under the program may be for either a for-profit or nonprofit employer. A school is not allowed to use its JLD allocation to locate on-campus service jobs. The federal funds that a school sets aside from its FWS allocation to be used for JLD activities may be used to pay up to 80 percent of allowable costs. The school must provide the remaining 20 percent of allowable costs, either in cash or services.

Debit this account for:

- Amounts paid to the institution (contra account # 1-1).

Credit this account with:

- Closing entry at the end of the accounting period, the amounts paid to the institution during the reporting period (contra account # 6-1).

Reference:
- See Section 3.3 of this book.

7 - 6 Administrative Cost Allowance (ACA) Paid to Institution: This expense account is maintained to record payments made to the institution in reimbursement for administrative expenses. Such payments to the institution have totals limited by regulations, and they may not be made from FWS funds unless students earned FWS wages during the period.

Debit this account for:

- Payments to institution for administrative expenses (contra account # 1-1).

Credit this account with:

- Closing entry at the end of the accounting period, the total amount paid to the institution during the reporting period (contra account # 6-1).

Federal Perkins Loan Accounts

1 - 1 Cash, Federal Perkins Loans: This is a debit balance account that shows the total cash available.

Debit this account for:

- Federal Capital Contributions (FCCs) as transferred from GAPS cash (contra account # 6-1).
- Institutional Capital Contributions (ICCs) as transferred from institutional cash (contra account # 6-2).
- Refunds of amounts advanced to students (contra account # 1-2).
- Collections of loan principal from borrowers (contra account # 2-1).

- Collections of loan interest from borrowers (contra account # 6-3).
- Collections of late charges assessed (contra account # 6-4).
- Collections of penalty charges assessed (contra account # 6-5).
- Other income (contra account # 6-5).
- Reimbursements from the U.S. government on loan cancellations (contra account # 6-6).
- Repayments from borrowers for litigation expenses (contra account # 7-1).
- Collections of borrower-paid collection costs from gross-remittance collection agencies (contra account # 7-3).

Credit this account with:

- Advances to students (contra account # 1-2).
- Overpayments refunded to borrowers (contra account # 2-1).
- Reversals of payments made by returned check (contra accounts # 2-1, 6-3, 6-4, 6-5, 7-3).
- Repayments of capital to the U.S. government (contra account # 6-7).
- Repayments of capital to the institution (contra account # 6-8).
- Withdrawals of late charges payable to the institution (contra account # 6-4).
- Withdrawals to pay litigation expenses (contra account # 7-1).
- Withdrawals for administrative cost allowance (contra account # 7-2).
- Withdrawals to pay collection costs to gross-remittance collection agencies (contra account # 7-3).
- Withdrawals to pay other collection expenses (contra account # 7-3).

Reference:

- **See Section 2.10 of this book.**

1 - 2 Funds Advanced to Students: This debit balance account is a control account for advances to borrowers. The total of the amounts shown as advances on individual student master records for all students should be reconciled to the balance in this account at the end of each month.

Debit this account for:

- The amount advanced to borrowers (contra account # 1-1).

Credit this account with:

- Any return of advances made (contra account # 1-1).

2 - 1 Loan Principal Collected: This is a credit balance account maintained to show the total amount of loan principal collected since the beginning of the program.

Debit this account for:

- The principal amount of returned checks (contra account # 1-1).
- Overpayments refunded to borrowers (contra account # 1-1).

Credit this account with:

- The amount of cash collections related to loan principal (contra account # 1-1).
- Reclassification of the amount of interest paid that is subsequently canceled (contra account # 2-1).

2 - 2 Defaulted Loan Principal - Assigned to Federal Government: This credit balance account is maintained to show the cumulative amount of defaulted loan principal assigned to and accepted by the U.S. government.

Debit this account for:

- No entries, except for correcting errors.

Credit this account with:

- The amount of loan principal assigned to and accepted by the U.S. government on loans in default (contra account # 7-18).

2 - 3 Loan Principal Canceled - Teaching Service (10% Rate), Loans Made Prior to 7/1/72

2 - 4 Loan Principal Canceled - Teaching Service (15% Rate), Loans Made Prior to 7/1/72

2 - 5 Loan Principal Canceled - Military Service (12.5% Rate), Loans Made Prior to 7/1/72

Accounts # 2-3, 2-4, and 2-5 may be merged and maintained as one account titled "Loan Principal Canceled - Loans Made Prior to 7/1/72."

2 - 6 Loan Principal Canceled - Teaching Service (15% Rate), Loans Made 7/1/72 and After

2 - 7 Loan Principal Canceled - Teaching Service (20% Rate), Loans Made 7/1/72 and After

2 - 8 Loan Principal Canceled - Teaching Service (30% Rate), Loans Made 7/1/72 and After

2 - 9 Loan Principal Canceled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (15% Rate), Loans Made 7/23/92 and After

2 - 10 Loan Principal Canceled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (20% Rate), Loans Made 7/23/92 and After

2 - 11 Loan Principal Canceled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (30% Rate), Loans Made 7/23/92 and After

2 - 12 Loan Principal Canceled - Military Service (12.5% Rate), Loans Made 7/1/72 and After

2 - 13 Loan Principal Canceled - Death

2 - 14 Loan Principal Canceled - Disability

Accounts # 2-13 and 2-14 may be merged and maintained as one account titled "Loan Principal Canceled - Death or Disability."

Reference:

- See Section 5.3 of this book.

All other canceled-loan entries are similar and are not shown here. Refer to the chart of accounts for the other cancellation accounts.

These separate cancellation accounts are maintained to show the cumulative amounts of loan principal canceled under the provisions of the law.

Debit these accounts for:

- No entries, except for correcting errors.

Credit these accounts with:

- Amounts of each appropriate category of loan principal canceled under the provisions of the law (contra accounts # 7-4 through 7-17).

2 - 29 Loan Principal Adjustments - Other: This is a credit balance account maintained to show the cumulative total amount of loan principal lost because of other reasons (such as write-offs) as specified by ED. Each credit entry to this account should be adequately labeled to identify the reason for the adjustment.

Debit this account for:

- No entries, except for correcting errors.

Credit this account with:

- Amount of loan principal lost because of other approved reasons (write-offs) (contra account # 7-19).

4 - 1 Federal Fund Balance: This is a credit balance account maintained to show the federal share of the fund balance.

This account should always show a credit balance for the federal share of income and expenses since the school began participating in the program.

Credit this account with:

- Closing entry at end of accounting fiscal year (federal share of contra accounts # 6-1, 6-3 through 6-7, 7-1 through 7-19).

4 - 2 Institutional Fund Balance: This credit balance account is maintained to show the institutional share of the fund balance. This account should always show a credit balance for the institutional share of income and expenses since the school began participating in the program.

Credit this account with:

- Closing entry at end of accounting fiscal year (institutional share of contra accounts # 6-2 through 6-6, 6-8 through 7-19).

6 - 1 Funds Transferred from GAPS - Perkins - FCC: This credit balance account is maintained to track the total FCC transferred to the Perkins Loan fund from the GAPS cash control account.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra account # 4-1).

Credit this account with:

- Transfer from GAPS - FCC (contra account # 1-1).

6 - 2 Funds Transferred from Institution - Perkins - ICC: This credit balance account is maintained to track the total ICC transferred to the Perkins Loan fund from the institution.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra account # 4-2).

Credit this account with:

- Mandatory transfers of the institution's matching share of the Perkins Loan allocation. This is one-third (33 1/3 percent) of the FCC amount *or* one-quarter (25 percent) of the combined FCC *plus* ICC (contra account # 1-1).

6 - 3 Interest Earned on Loans: This credit balance account is maintained to show the total interest that has been collected or has been canceled because of teaching service, military service, death, or any other authorized cancellation. It also includes interest from loans assigned to ED.

Debit this account for:

- The interest amount of returned checks and correction of errors (contra account # 1-1).
- Reclassification of the interest amount paid that is subsequently canceled (contra account # 2 -1).
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Credit this account with:

- The amount of loan interest collected (contra account # 1-1).
- The amount of loan interest canceled for teaching service (contra accounts # 7-4, 7-5).
- The amount of loan interest canceled for Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education), Loans Made 7/23/92 and After (contra account # 7-7).
- The amount of loan interest canceled for military service (contra accounts # 7-6, 7-8).

- The amount of loan interest canceled for death (contra account # 7-9).
- The amount of loan interest canceled for disability (contra account # 7-10).
- The amount of loan interest canceled for bankruptcy (contra account # 7-11).
- The amount of loan interest canceled for Peace Corps or VISTA (contra account # 7-12).
- The amount of loan interest canceled for Head Start (contra account # 7-13).
- The amount of loan interest canceled for Volunteer Service (contra account # 7-14).
- The amount of loan interest canceled for Law Enforcement and Corrections Officer (contra account # 7-15).
- The amount of loan interest canceled for Nurse/Medical Technician (contra account # 7-16).
- The amount of loan interest canceled for Child/Family and Early Intervention Service (contra account # 7-17).
- The amount of loan interest related to defaulted loans assigned to the U.S. government (contra account # 7-18).
- The amount of loan interest written off for other costs or losses (specify) (contra account # 7-19).

6 - 4 Other Earnings - Late Charges on Loans Made 7/1/87 and After: This credit balance account is maintained to show the earnings of the fund due to late charges assessed on loans made after 7/1/87.

Debit this account for:

- Late charge amounts reimbursed to the institution (contra account # 1-1).
- Late charge amounts of returned checks (contra account # 1-1).
- Late charge amounts for correcting errors.
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Credit this account with:

- Late charges assessed and collected (contra account # 1-1).
- Amounts reimbursed by the institution for the late charge portion of returned checks (contra account # 1-1).
- Late charges accrued and written off (contra account # 7-18).

Reference:
- See Section 4.5 of this book.

6 - 5 Other Earnings - Miscellaneous: This credit balance account is maintained to show the earnings of the fund (other than interest on student loans or late charges assessed on loans made 1/1/86 and after), such as penalty charges on loans made 12/31/85 and before, and interest earned on fund cash balances. As it will be necessary to report separately on each type of earnings (penalty charges, interest, earnings, and so on), a subsidiary ledger account for each type of earnings is desirable. There may be periods when slack demand for loans, coupled with funds received for collection activities, might produce a temporary excess cash balance in the Perkins Loan fund; as a result, institutions are now required to maintain fund balances in insured interest-bearing accounts.

Debit this account for:

- Penalty charges for returned checks (contra account # 1-1).
- Correcting errors.
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Credit this account with:

- Penalty charges assessed and collected (contra account # 1-1).
- Interest earned on fund cash (contra account # 1-1).
- Any other earnings of the fund (contra account # 1-1).
- Penalty charges accrued and written off (contra account # 7-19).

6 - 6 Reimbursement of Amounts Canceled on Loans Made 7/1/72 and After: This credit balance account is maintained to show the amounts received from the U.S. government as a result of reimbursements on loans canceled for teaching (Head Start) and military service on loans made 7/1/72 and after, for Peace Corps or VISTA service for loans made after 6/30/87, for employment in law enforcement or as a corrections officer for loans made on or after 11/29/90, and for all cancellations authorized by the 1992 reauthorization of the Higher Education Act (HEA).

Debit this account for:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Credit this account with:

- Amounts received from the U.S. government for reimbursement of the aggregate amount of institutional funds plus federal funds canceled due to any of the authorized cancellation provisions (contra account # 1-1).

6 - 7 Repayments to Federal Government: This debit balance account is maintained to show the total distribution of fund capital in case of partial dissolution of the Perkins Loan fund.

Debit this account for:

- Amount of the appropriate FCC repaid in partial dissolution of the fund (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 4-1).

6 - 8 Repayments to Institution: This debit balance account is maintained to show the total distribution of fund capital in case of partial dissolution of the Perkins Loan fund and to show when an institution withdraws an overmatch.

Debit this account for:

- Amount of the appropriate ICC repaid in partial dissolution of the fund (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 4-2).

7 - 1 Litigation Expenses: This is a debit balance account maintained to show the net amount paid for litigation arising in connection with Federal Perkins Loans.

Debit this account for:

- Amounts paid for litigation expenses (contra account # 1-1).

Credit this account with:

- Amounts collected from borrowers repaying litigation expenses (contra account # 1-1).

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Reference:

- See Section 3.3 of this book.

7 - 2 Administrative Cost Allowance (ACA) Paid to Institution: This is a debit balance account maintained to show the amount of administrative expenses charged to the fund rather than reimbursement to the institution by ED. Such payments to the institution are limited in total by regulations and may not be made from the Perkins Loan fund unless students receive advances of Perkins Loan funds during the award period.

Debit this account for:

- Amounts charged to the fund as authorized administrative cost allowance (ACA) (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 3 Other Collection Expenses: This is a debit balance account maintained to show the net amount charged to the fund for collection expenses other than costs of litigation, such as commissions (as approved by the U.S. Secretary of Education) paid to a collection agency.

Debit this account for:

- Amounts authorized to be charged to the fund as other collection expenses (contra accounts # 1-1 or 2-1).
- Amount of borrower-paid collection cost portion of returned checks (contra account # 1-1).

Credit this account with:

- Amounts collected from borrowers repaying costs of collection other than litigation expenses (contra account # 1-1).
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 4 Cost of Loan Principal and Interest Canceled - Teaching Service, Loans Made Prior to 7/1/72

7 - 5 Cost of Loan Principal and Interest Canceled - Teaching Service, Loans Made 7/1/72 and After

These debit balance accounts are maintained to show the total cost of loan cancellations for teaching service.

Debit these accounts for:

- Amounts of total principal and interest canceled for teaching service (contra accounts # 2-3, 2-4, 2-6, 2-7, 2-8, 6-3).

Credit these accounts with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 6 Cost of Loan Principal and Interest Canceled - Military Service, Loans Made Prior to 7/1/72

7 - 7 Cost of Loan Principal and Interest Canceled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education), Loans Made 7/23/92 and After

These debit balance accounts are maintained to show the total cost of loan cancellations for military and teaching service.

Debit these accounts for:

- Amounts of total principal and interest canceled for these specific service areas (contra accounts # 2-5, 2-9, 2-10, 2-11, 6-3).

Credit these accounts with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 8 Cost of Loan Principal and Interest Canceled - Military Service 7/1/72 and After

This debit balance account is maintained to show the total cost of loan cancellations for military service.

Debit this account for:

- Amounts of total principal and interest canceled for military service (contra accounts # 2-12, 6-3).

Credit these accounts with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 9 Cost of Loan Principal and Interest Canceled - Death: This is a debit balance account maintained to show the total cost of loan cancellations for death.

Debit this account for:

- Amounts of total principal and interest canceled for death (contra accounts # 2-13, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 10 Cost of Loan Principal and Interest Canceled - Disability: This is a debit balance account maintained to show the total cost of loan cancellations for disability.

Debit this account for:

- Amounts of total principal and interest canceled for disability (contra accounts # 2-14, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 11 Cost of Loan Principal and Interest Canceled - Bankruptcy: This is a debit balance account maintained to show the total cost of loan cancellations for bankruptcy.

Debit this account for:

- Amounts of total principal and interest canceled for bankruptcy (contra accounts # 2-15, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 12 Cost of Loan Principal and Interest Canceled - Peace Corps or VISTA: This is a debit balance account to show the total cost of principal and interest canceled for service in the Peace Corps or VISTA for loans made after June 30, 1987.

Debit this account for:

- Amounts of total principal and interest canceled for service in the Peace Corps or VISTA (contra accounts # 2-16, 2-17, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 13 Cost of Loan Principal and Interest Canceled - Head Start: This is a debit balance account to show the total cost of principal and interest canceled for the Head Start Program.

Debit this account for:

- Amounts of total principal and interest canceled for the Head Start Program (contra accounts # 2-18, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 14 Cost of Loan Principal and Interest Canceled - Volunteer Service: This is a debit balance account to show the total cost of principal and interest canceled for volunteer service.

Debit this account for:

- Amounts of total principal and interest canceled for volunteer service (contra accounts # 2-19, 2-20, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 15 Cost of Loan Principal and Interest Canceled - Law Enforcement and Corrections Officer: This is a debit balance account to show the total cost of principal and interest canceled for borrowers employed in law enforcement or corrections.

Debit this account for:

- Amounts of total principal and interest canceled for a borrower's employment as a law-enforcement or corrections officer (contra accounts # 2-21, 2-22, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 16 Cost of Loan Principal and Interest Canceled - Nurse/Medical Technician: This is a debit balance account to show the total cost of principal and interest canceled for a borrower's employment as a nurse or medical technician.

Debit this account for:

- Amounts of total principal and interest canceled for a borrower's employment as a nurse or medical technician (contra accounts # 2-23, 2-24, 2-25, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 17 Cost of Loan Principal and Interest Canceled - Child/Family and Early Intervention Service: This is a debit balance account to show the total cost of principal and interest canceled for a borrower's employment in a child/family or early intervention service.

Debit this account for:

- Amounts of total principal and interest canceled for the child/family or early intervention service (contra accounts # 2-26, 2-27, 2-28, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 18 Cost of Defaulted Loan Principal and Interest Assigned to Federal Government: This is a debit balance account maintained to show the total cost of defaulted loans assigned to, and accepted by, the U.S. government.

Debit this account for:

- Amounts of total principal and interest related to defaulted loans assigned to the U.S. government (contra accounts # 2-2, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 19 Other Costs or Losses: This is a debit balance account maintained to show the total amount of other costs or losses. Any entries to this account, such as accounts written off, should have full documentation of the reasons. In some cases, approval by the U.S. Secretary of Education must be included as part of the documentation.

Debit this account for:

- Amounts of total principal, interest, penalty, and late charges written off because of other costs or losses. The reason for the write-off should be specified for easy identification in the account (contra accounts # 2-29, 6-3, 6-4, 6-5).

Credit this account with:

- Amounts of previous write-offs reversed due to collection (contra accounts # 2-29, 6-3, 6-4, 6-5).
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

William D. Ford Federal Direct Loan Accounts

1 - 1 Cash, Direct Loans: All receipts and disbursements of cash related to the Direct Loan Program are recorded in this account.

Debit this account for:

- Transfers from GAPS accounts (contra account # 6-1).
- Recoveries from recipients (contra account # 7-1).

Credit this account for:

- Payments to students (contra account # 7-1).
- Return of excess cash to Direct Loan Servicing Center or to ED via FEDWIRE (contra account # 6-1).

1 - 2 Accounts Receivable, GAPS: This debit balance account controls the transfer of cash directly from the GAPS account established for Direct Loans.

Debit this account for:

- Amounts due from GAPS for disbursement needs for the period (contra account # 6-1).
- Return of excess cash (contra account # 1-1).

Credit this account with:

- Cash transferred directly from the GAPS account (contra account # 1-1).

6 - 1 Income from GAPS - Direct Loans: This credit balance account reflects the income from the Direct Loan Program. This amount is not a transfer from the GAPS account referred to in section 5.3. These separate accounts allow for reconciliation with the institution's records as part of the Direct Loan reconciliation process.

Debit this account for:

- Closing entry at end of accounting fiscal year, the income from GAPS to meet disbursement needs for the period (contra accounts # 7-1, 7-2).

Credit this account with:

- Income from GAPS recorded to meet current disbursement needs (contra account # 1-2).

6 - 2 Federal Reimbursement of Direct Loan Origination Services Costs: This credit balance account is maintained to record the reimbursements from ED for origination services costs. Currently, funds come directly to the institution via ACH/EFT and are deposited directly to the institution's bank account. This amount is set by law.

Debit this account for:

- Closing entry at end of the accounting period (contra account # 7-2).

Credit this account with:

- ACH/EFT payments for ED for origination services costs (contra account # 1-1).

7 - 1 Funds Advanced to Borrowers: This debit balance account is maintained to record payments made to students or parents for loans. This account may be further subdivided to separate disbursements for PLUS, subsidized, and unsubsidized loans.

Debit this account for:

- Loan payments made to students or students' parents (contra account # 1-1).

Credit this account with:

- Recoveries from loan recipients (contra account # 1-1).
- Closing entry at end of accounting fiscal year for the total amount of loan disbursements made to students or students' parents for the accounting period (contra account # 6-1).

Accounting Practices for EFT: Federal Family Education Loan (FFEL) Program

1 - 1 Cash, FFEL Account: All receipts and disbursements of Federal Family Education Loan (FFEL) funds are recorded in this account. These funds are not part of the GAPS system, as the funds come directly from lenders to the institution by lenders' EFT systems.

- Debit - Cash received from lenders (contra account # 3-1).

1 - 2 Cash Returned to Lenders: This account is used to account for funds returned to lenders and is separate from funds disbursed to students.

- Credit - Cash returned to lenders (contra account # 3-1).

1 - 3 Cash Disbursed to Borrowers: This account shows funds actually disbursed to students or parents for loans.

- Credit - Cash disbursed to borrowers (contra account # 3-1).

1 - 4 Cash - Interest Earnings: This account may be used to record interest earnings from investing the float on FFEL funds. Institutions may decide to deposit the interest earnings directly into an operating account.

- Debit - For interest earned (contra account # 6-1).
- Credit - Interest earnings from investment of FFEL funds transferred to the institution (contra account # 6-1).

3 - 1 FFEL Trust Account: This account is used to record funds that the institution holds for borrowers.

- Debit - Funds disbursed to borrowers or returned to lenders (contra accounts # 1-2 or 1-3).
- Credit - Funds received from lenders (contra account # 1-1).

6 - 1 Interest Earnings from Investment of FFEL Funds: The institution must closely adhere to required time frames for disbursing funds and returning undisbursed funds.

- Debit - Cash, interest earnings transferred to the institution (contra account # 1-4).
- Credit - Interest earnings from investment of FFEL funds (contra account # 1-4).

5.4 Internal Control: Checks and Balances

Reference:
- 34 CFR 668.16(c)

To participate in federally funded student financial aid programs, an institution must be able to demonstrate that adequate **checks and balances** are in place in its **internal control system**. An internal control system should, at a minimum, include:

- separating the functions of authorizing and awarding Title IV aid and disbursing Title IV program funds;
- taking a **trial balance** (to determine whether accounts are in balance);
- reconciling cash (a reconciliation between book balances and bank balances for cash);
- reconciling federal funds (a reconciliation between bank accounts and federally reported balances for cash); *and*
- maintaining adequate **electronic data processing** (EDP) controls.

Separation of Functions

Reference:
- See Section 2.4 of this book for more information.

A school, as part of proving its administrative capability, should use its internal audits or external audits to periodically verify that the systems of checks and balances in place at the school have been properly designed and are being followed routinely. This is established by developing systems at a school that ensure Title IV program funds are being distributed according to the appropriate regulations.

Appropriate controls can include developing a disbursing system that provides evidence that the institution maintained documentation to show that aid was appropriately applied to institutional charges and that remaining aid was delivered to the student.

Reference:
- 34 CFR 668.16(c)(2)

According to regulations, institutions must separate the functions of authorizing payment of Title IV aid and disbursing Title IV funds. **Separation of functions** is a fundamental control concept in financial aid administration. The financial aid office is charged with the responsibility for authorizing disbursement by awarding aid through the need analysis and packaging processes. The awarded-aid information is then turned over to the business office which, in turn, is responsible for disbursing the aid by applying it to institutional charges (for example, posting it on a student's school account) and/or delivering it to students (for example, generating a check for a student's remaining credit balance).

Remember, because electronic processes can blur separation of functions, a school must be careful to create controls that ensure separation of authorizing Title IV payments and disbursing Title IV payments. This also applies within the business office itself. One individual should not be solely responsible for receiving funds and reconciling those funds.

There should be a segregation of functions within the business office that provides that the person within the institution who reconciles cash and reconciles federal funds does not also receive cash or perform disbursement functions. The reason: An adequate checks-and-balances system allows several people within a school to evaluate federal funds and ensure, at each step of the process, that the applicable regulations are being followed.

The person performing reconciliations should receive bank statements and Direct Loan reconciliation reports directly from the respective, appropriate sources. Supervisory approval of the completed reconciliations should also be obtained and evidenced on the forms.

Trial Balance

A trial balance is the confirmation that debit and credit balances are equal. A trial balance for federal student financial aid programs is a confirmation that accounts receivable, program expenditures, and the cash balance equal the amount of aid that has been authorized by the financial aid office.

To be effective, taking a trial balance should be performed at least monthly and reconciling cash should be performed when bank statements are received or at least monthly. All Federal Work-Study, Federal Perkins Loan, and Federal Direct Loan Program accounts are required to be reconciled monthly.

A trial balance worksheet for federal student financial aid programs appears on pages 5-48 and 5-49.

Reconciliation of Cash

Since cash is more susceptible to manipulation than other assets, multiple checks and balances are necessary for effective internal control of cash.

Reconciling cash is a confirmation that the cash amount shown in the school's accounting records is in agreement with the amount reflected in the school's bank statement. Differences between the school's accounting records and the school's bank statement balance can be caused by timing variances, errors, or unrecorded entries. The reconciliation process can lead to adjusting entries for:

- bank service charges;
- non-sufficient funds (NSF) checks;
- debit and/or credit memoranda; *and*
- error corrections.

Reconciliation also provides a means for identifying and correcting these errors. The person performing the reconciliation should be trained to recognize and report possible sources of errors:

- delays in deposit;
- checks outstanding for long periods of time;
- irregularities in funds transfers and adjustments; *and*
- deviations with canceled checks (payee, signature, or endorsement).

The prompt and thorough performance of cash reconciliation duties enhances the internal control system.

On page 5-50 there is a worksheet that can be used, on a monthly basis, to reconcile cash for Title IV financial aid programs. If a school maintains separate bank accounts for each program, this process should be performed for each program.

Reconciling Federal Funds

Reconciling federal funds is a balancing of funds received from the beginning of a school's participation in a program to the totals currently recorded in the school's accounts. In addition, the reconciliation process should check reported expenditures among the trial balance, GAPS, FISAP, Direct Loan reconciliation, and audit reports. Differences among these records must be resolved.

One of the purposes of an internal or external audit is to check that all reconciliations have been performed. Institutions must not wait until an audit to perform reconciliations because this is an ongoing process.

The form on page 5-51 can be used to reconcile federal funds.

Monthly Direct Loan Reconciliation

When an institution initially signs up to participate in the Direct Loan Program, it must decide the "as-of-date" each month that the institution will use to reconcile loan records with the **Loan Origination Center (LOC).**

Reconciliation must be performed each month using the same "as-of-date." In the Direct Loan Program, there are two types of transactions to be reconciled:

- cash transactions *and*
- loan transactions that affect cash.

With cash transactions, the institution must reconcile its records of cash drawdowns and returns of excess cash with the LOC's records. To be effective, the school should *first* make sure that its own records are reconciled. This means that the school's various systems are in agreement (reconciled). These systems may include:

- financial accounting,
- student accounts receivable,
- financial aid, *and*
- the Direct Loan system (if it applies).*

***Some schools maintain Direct Loan data within their financial aid systems. Those schools may not have a separate Direct Loan system.**

Loan transactions that have affected cash disbursements and cash adjustments are also matched with the LOC. The loan transaction process is actually a data-verifying and editing process, primarily between the school's Direct Loan system and LOC records. This process matches cash disbursements and cash adjustments to LOC data.

Each participating Direct Loan institution receives a monthly report, the **Direct Loan School Account Statement (DLSAS)**, from the LOC detailing:

Reference:

- See Chapter 6 of this book for more information about the DLSAS.

- the school's beginning cash balance and ending cash balance, according to the LOC;
- the school's booked (reconciled) loans** and unbooked (unreconciled) loans;
- the amount of cash drawdowns initiated by the school or the LOC (on the school's behalf) through GAPS;
- the amount of excess cash received for the month from the school; *and*
- any downward or upward adjustments.

****To be considered a booked loan, the DLSC must have received and *accepted* a loan origination record, a signed promissory note, and a first disbursement record.**

Normally, unreconciled items result from timing errors, such as a batch of loan data that was not included in a month-end close or a batch of loan data that was shipped to the **Direct Loan Servicing Center (DLSC)** at the end of the month and rejected. The institution's reports from the Direct Loan software and DLSC reports are used to compare the data in the two systems.

Electronic Data Processing (EDP) Controls

Electronic data processing (EDP) controls ensure the integrity and reliability of data. EDP controls encompass:

- operating procedures,
- software security,
- data access,
- program modification,
- segregation of computer security duties and responsibilities,
- data-backup and data-recovery plans, *and*
- physical computer security.

Specific EDP security controls should include the following:

- writing policies and procedures for the security and proper operation of student information systems, down to the individual user level;
- issuing unique user IDs and passwords to each employee to ensure individual user accountability;
- granting appropriate levels of access to staff, which means limiting access to only the functions necessary to perform assigned duties;
- informing authorized users of guidelines for proper system use and having users acknowledge their responsibilities by signing an acknowledgement statement;
- establishing adequate software-security controls and audit capability to regularly monitor and record user and system activity; these security controls should be sufficient to indicate or detect possible misuse, abuse, or unauthorized activity on the system; *and*
- providing adequate provisions for system and data-file back up, contingency, disaster recovery, and business resumption.

Other Checks and Balances

There are a number of other types of checks and balances that can be built into a student financial aid administration system. Some important types are:

- data-input controls,
- subsidiary records reconciliation, *and*
- **a clear audit trail.**

Data-input controls: As data-input transactions are being entered into a school's financial aid system, a record of the number of entries and the dollar amount of entries should be recorded. This type of batch control is necessary whether manual or automated systems are involved. After all updates for a processing cycle have been completed, the updated totals should be checked to ensure that all batches (entries) have been entered. This type of control serves two purposes: It ensures that batches are not lost, and it provides control against unauthorized transactions being entered into the system.

Subsidiary records reconciliation: All accounts should be backed up by subsidiary ledger detail. Although a trial balance can be used to ensure that all accounts balance in the aggregate, it does not guarantee that there is sufficient evidence that subsidiary records exist to support the totals in each account. Errors can exist when changes or corrections are made to apply controls to accounts without corresponding adjustments being made to subsidiary records. Reconciliations between accounts and subsidiary records detail should be performed at least monthly and should be conducted on a more frequent basis during periods of high transaction volume. As mentioned earlier, most Title IV programs require monthly reconciliations.

Clear audit trail: A key element in any system of checks and balances is maintaining a clear (easily followed) audit trail. Records of all transactions entered into the system must be maintained. Adequate documentation requires:

- proper approval of all transactions,
- a record of who was responsible for entering the transaction,
- when the transaction was prepared and posted, *and*
- a complete record of the transaction itself.

Trial Balance Worksheet for Title IV Programs

Balance as of __________

Account Names	*Debit*	*Credit*
GAPS		
Cash Control, GAPS*		xxxxx
Accounts Receivable, GAPS	xxxxx	
Total, GAPS	xxxxx	xxxxx
	====	====
NFC Accounts		
Cash Unremitted to NFC	xxxxx	
Due from School	xxxxx	
Accounts Payable, NFC		xxxxx
Total, NFC	xxxxx	xxxxx
	====	====
Federal Pell Grant Program		
Cash, Federal Pell Grants	xxxxx	
Transfer from GAPS		xxxxx
Federal Reimbursement of Pell Administrative Cost Allowance		xxxxx
Student Grants Paid	xxxxx	
Pell Administrative Cost Allowance Paid to Institution	xxxxx	
Total, Federal Pell Grant Program	xxxxx	xxxxx
	====	====
Federal Supplemental Educational Opportunity Grant (FSEOG) Program		
Cash, FSEOG	xxxxx	
Transfer from GAPS		xxxxx
Institution's Cash Contribution		xxxxx
Institution's Noncash Contribution (Memo Account)		xxxxx
FSEOG Grants Paid	xxxxx	
FSEOG from Noncash Contribution (Memo Account)	xxxxx	
FSEOG Administrative Cost Allowance Paid to Institution	xxxxx	
Total, FSEOG Program	xxxxx	xxxxx
	====	====

(continued next page)

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*The cash-control account will have a credit balance if the drawdown amount is less than the disbursed amount. The cash control account may have a debit balance if the drawdown amount exceeds the disbursed amount. Both of these are timing differentials.

Trial Balance Worksheet for Title IV Programs (cont'd)

Account Names	*Debit*	*Credit*
Federal Work-Study (FWS) Program		
Asset Accounts, FWS	xxxxx	
Liability Accounts, FWS		xxxxx
Income Accounts, FWS		xxxxx
Expense Accounts, FWS	xxxxx	
	——	——
Total, FWS Program	xxxxx	xxxxx
	====	====
Federal Perkins Loan Program		
Asset Accounts, Perkins	xxxxx	
Asset Reduction Accounts, Perkins		xxxxx
Federal Fund Balance		xxxxx
Institutional Fund Balance		xxxxx
Income Accounts, Perkins		xxxxx
Expense Accounts, Perkins	xxxxx	
	——	——
Total, Federal Perkins Loan Program	xxxxx	xxxxx
	====	====
William D. Ford Direct Loan Program		
Cash, Federal Direct Loans	xxxxx	
Accounts Receivable, GAPS	xxxxx	
Income from GAPS		xxxxx
Federal Reimbursement of Direct Loan Origination Services Costs		xxxxx
Direct Loan Funds Advanced to Borrowers	xxxxx	
Payment for Origination Services (POS) Paid to Institution	xxxxx	
	——	——
Total, Federal Direct Loan Program	xxxxx	xxxxx
	====	====
Federal Family Education Loan (FFEL) Program		
Cash, FFEL Account	xxxxx	
Cash Returned to Lenders		xxxxx
Cash Disbursed to Borrowers		xxxxx
Cash, Interest Earnings	xxxxx	
FFEL Trust Account		xxxxx
Interest Earnings from Investment of FFEL Funds		xxxxx
	——	——
Total, Federal Family Education Loan (FFEL) Program	xxxxx	xxxxx
	====	====

Prepared by ______________________ Date ______________

Approved by ______________________ Date ______________

Reconciliation of Cash for the Month of ______ Year _____

	Beginning Balance	*Deposits*	*Disburse-ments*	*Ending Balance*
Balance per Bank Statement	xxxxx	xxxxx	xxxxx	xxxxx
Deposits in Transit:				
Last Month	xxxxx	(xxxx)		xxxxx
This Month		xxxxx		xxxxx
Outstanding Checks:				
Last Month	xxxxx		(xxxx)	xxxxx
This Month			xxxxx	xxxxx
Unrecorded Charges			xxxxx	xxxxx
(Unrecorded Credits)			(xxxx)	(xxxx)
(explain below)				
	____	____	____	____
Balance per Books	xxxxx	xxxxx	xxxxx	xxxxx
	====	====	====	====

Prepared by ______________________________ Date ________________

Approved by ______________________________ Date ________________

Reconciliation of Federal Funds for Quarter/Month Ended____

Cumulative Cash as of Last Quarter		xxxxx
Cash Received This Quarter		xxxxx
Cumulative Cash Received		xxxxx
Net Disbursement for Prior Years	xxxxx	
Changes to Prior Year Disbursements	xxxxx	xxxxx
Total Adjusted Prior Year Disbursements	xxxxx	
Net Disbursements This Year	xxxxx	
Cumulative Cash Disbursements	xxxxx	(xxxxx)
	====	
Calculated Cash on Hand		xxxxx
Balance per Bank Statement	xxxxx	
Adjustments:		
Outstanding Checks	(xxxxx)	
Deposits in Transit	xxxxx	
Other Adjustments	xxxxx	
Total Adjusted Balance per Bank	xxxxx	(xxxxx)
	====	
Difference (should be zero)		-0-
		=====

Prepared by ______________________________ Date ________________

Approved by ______________________________ Date ________________

Chapter 6

Title IV Reporting, NSLDS, Audit, Program Review, and Guaranty Agency Procedures

Summary

This chapter begins with a discussion of reports that are unique to non-campus-based Title IV student financial aid programs, then addresses campus-based programs in an overview of the **Fiscal Operations Report and Application to Participate (FISAP)**. Other reports, audits, and program reviews required by ED are also covered in this chapter.

Key Terms *

- A-133 Audit
- acknowledgement
- Administrative Cost Allowance (ACA)
- *Audit Guide*
- cash detail record
- cash summary record
- closed award
- Compare Program
- compliance audit
- corrective action plan (CAP)
- data request record
- Direct Loan Origination Center (LOC)
- Direct Loan School Account Statement (DLSAS)
- Direct Loan Servicing Center (DLSC)
- disbursement record
- EDExpress
- Electronic Statement of Account (ESOA)
- Federal Capital Contribution (FCC)
- Final Audit Determination Letter (FADL)
- Final Program Review Determination (FPRD) letter
- Financial Services (FS)
- Fiscal Operations Report and Application to Participate (FISAP)
- Grant Administration and Payment System (GAPS)
- Institutional Capital Contribution (ICC)
- level of expenditure (LOE)
- loan detail record
- Multiple Reporting Record (MRR)
- National Student Loan Data System (NSLDS)
- Office of Management and Budget (OMB)
- open award
- origination record
- post-screening
- Potential Overpayment Project (POP)
- Recipient Financial Management System (RFMS)
- reconciliation
- Single Audit Act
- special disbursement record
- Student Status Confirmation Report (SSCR)

***Key terms are in boldface type when they first appear in the text.**

6.1 Federal Pell Grant Reporting

Reference:

- *Student Financial Aid Handbook, Volume 3: Federal Pell Grant Program*

A school's financial aid office is responsible for determining student eligibility for Federal Pell Grants, awarding Federal Pell Grant funds, and authorizing the school's business office to disburse the funds to students or credit students' school accounts. Once Federal Pell Grant funds have been disbursed or credited to a student's school account, a school is responsible for reporting the student payment information to ED. This may be a function of a school's financial aid office *or* business office *or* both offices.

The school reports student Federal Pell Grant payment information to ED through the **Recipient Financial Management System (RFMS).** RFMS enables ED to track a school's need for Federal Pell Grant funds and adjust the school's funding authorization. The system also provides documentation that allows the school to reconcile records of expenditures reported to ED with the school's records of payments made to students.

Recipient Financial Management System (RFMS)

Reference:

- *Student Financial Aid Handbook, Volume 3: Federal Pell Grant Program*
- *2000 – 2001 Pell Grant RFMS Technical Reference*
- DCL P-00-2
- DCL P-00-01

Schools use the Recipient Financial Management System (RFMS) to transmit Federal Pell Grant data. There are basically four categories of data an institution sends to RFMS:

1. **origination record**
2. **disbursement record**
3. **special disbursement record** (This record will no longer be used beginning with the 2001-02 Federal Pell Grant award year.)
4. **data request record**

*Origination records**:

- include demographic data about the school and, if applicable, its branches,
- report to RFMS on expected award information about each student who may receive a Federal Pell Grant,
- must be created before a disbursement can be made,
- may be sent with the initial disbursement record, *and*
- verify a student's eligibility for a specific annual award amount.

Origination records are not used to obligate funds or post transactions to the school's account.

***Schools can send in any number of origination records.**

[illegible]hools cannot send in [illegible]ir disbursement records before a date specified by RFMS, usually the end of June of the award year. They must, however, send in their disbursement records no more than 30 days after the actual disbursement.

Disbursement records:*

- report a disbursement, including the actual amount and date, or expected disbursement, for each student,
- can be sent to RFMS up to 30 days before and 30 days after the actual disbursement,
- are submitted with or after the origination record, *and*
- drive the school's funding level in the **Grant Administration and Payment System (GAPS).**

****This record will no longer be used beginning with the 2001-02 Federal Pell Grant award year.**

*Special disbursement records**:*

- are required for all institutions ED places on reimbursement,
- may be submitted by any institution to send period-specific data, *and*
- contain information necessary to calculate the payment for the specific payment period to which the disbursement applies.

Data request records are used to request:

- the **Electronic Statement of Account (ESOA)** *and*
- year-to-date information.

Schools also use data request records to retrieve multiple-reporting information for students who have awards originated at more than one institution.

Acknowledgement

After ED processes any RFMS Federal Pell Grant record (including an origination record or disbursement record), schools generally receive an **acknowledgement** within 3 to 5 hours and have funds available to draw down from GAPS within a few days. Data request acknowledgements are generally returned within 24 hours. The acknowledgement identifies each record the school sent to ED in one of the following categories:

- *Accepted* – The school should keep these records in its files. The school does not need to resubmit them unless the award-year data change.
- *Corrected* – The information is incomplete, so RFMS makes certain corrections to accept the data. The school must review the information and resubmit it if RFMS's corrections are inaccurate.
- *Rejected* – The data are inconsistent or inaccurate and cannot be accepted for payment. These records must be corrected and resubmitted. The

rejected category includes duplicates of records ED previously accepted for award years prior to 2001-02. The school should keep these records in its files. Duplicates should not be resubmitted unless the award-year data change.

- *Duplicate* – For the 2001-02 award year and beyond, RFMS will return a "D" action code for duplicate records already on file within RFMS.

Electronic Letters

Reference:

www.pellgrantsonline.ed.gov

RFMS can send electronic letters to schools about Federal Pell Grants as needed. It sends electronic letters in an ASCII text format. To improve access to RFMS, institutions will be able to submit data records via the Internet. This Internet site will be available 24 hours a days, 7 days a week.

Requesting Data

RFMS provides a school with the following tools to help manage its Federal Pell Grant database:

Reference:

- *2000 – 2001 Pell Grant RFMS Technical Reference*

- Electronic Statement of Account (ESOA),
- **Multiple Reporting Record (MRR),**
- Year-to-Date Data, *and*
- **Reconciliation** File Record.

Electronic Statement of Account (ESOA)

A school's authorization is defined as the maximum amount of Federal Pell Grant funds it may draw down from GAPS to disburse to students. ED reports authorizations to schools in an electronic format called the Electronic Statement of Account (ESOA).

Schools receive an ESOA immediately after GAPS processes the authorization or additions to the authorization. The ESOA includes:

1. a summary with information such as current authorization amounts and year-to-date disbursement amounts,
2. a status of the account when the last ESOA was sent to the school, *and*
3. a detail record that lists each transaction processed between RFMS and GAPS.

Reference:
2000 – 2001 Pell Grant RFMS Technical Reference

***Although RFMS reduces the problem of overpayments, it is possible to have concurrent enrollment of the same student or two schools submitting a disbursement record for the same student at the same time.**

Multiple Reporting Record (MRR)

Once a disbursement record is sent, a Multiple Reporting Record (MRR) is sent automatically if a **Potential Overpayment Project (POP)** or concurrent enrollment occurs.*

- *POP* occurs when more than one school sends a disbursement record for a student *and* the percentage of the student's Federal Pell Grant eligibility that is used is greater than 100 percent.

- *Concurrent enrollment* occurs when more than one school sends in a disbursement record for the same student with enrollment dates within 30 days of each other.

Schools can also request an MRR from RFMS to obtain information about any other schools that may have submitted origination records or disbursement records for their students. Schools can request an MRR six ways:

1. *OA* – RFMS provides the school with information about all origination records it has received where the original Social Security number (SSN) and name code match the origination records the school submitted. *OA* can also be used to find out if other schools have submitted origination records for the school's students.

2. *OS* – RFMS returns information about other schools that submitted origination records for selected students. Schools can use this option for transfer students.

3. *OI* – RFMS returns information about all students that is originated at selected schools. Schools might use this option to specify all records from a school that many of its students transfer to or transfer from.

4. *DA* – RFMS provides the school with information about all the disbursement records it has received where the original SSN and name code match the disbursement records the school submitted.

5. *DS* – RFMS returns information about other schools that have submitted disbursement records for selected students.

6. *DI* – RFMS returns information about all students who had disbursement records submitted at selected schools.

Reference:

- *2000 – 2001 Pell Grant RFMS Technical Reference*

Year-to-Date Data

The Year-to-Date (YTD) summary record in **EDExpress** or other RFMS-compatible software record replaces the Student Payment Summary (SPS). Using EDExpress, YTD data provide summary statistics for:

- all recipients,
- all origination records,
- originations accepted,
- originations accepted with corrections,
- all disbursement records,
- disbursements accepted,
- disbursement accepted with corrections, *and*
- counts for rejects and warning codes.

An institution can request YTD records for all of the activity posted to the RFMS database up to the present. RFMS creates a set of records for every student the institution has reported for the award year. Each student has a year-to-date origination record and year-to-date disbursement record for each disbursement accepted.

Institutions may request YTD records for all students or for selected students who are specified in the data request record.

Reconciliation File

The reconciliation file helps institutions in the reconciling process. This file is a one-record summary of the data RFMS has for the student. An institution can use this file to reconcile the total disbursement amount per student within RFMS. See the electronic announcement dated July 27, 2000 posted on the IFAP Web site for further information.

Administrative Cost Allowance (ACA)

A school participating in the Federal Pell Grant Program is entitled to an **administrative cost allowance (ACA)** to help offset the costs of administering it and other campus-based programs. ED notifies the school of the amount of its ACA by an RFMS electronic letter several times a year, and it pays the school automatically by EFT.

A school receives $5 for each of its reported Pell Grant recipients. Students who later withdraw are included in the number of recipients, as are transfer students. Students whose payment data are rejected by ED are not included.

The ACA must be used only to help pay the costs of administering the Federal Pell Grant Program and the campus-based programs.* If a school enrolls a significant number of less-than-full-time students or independent students, the school is required to use a reasonable portion of the ACA to ensure financial aid services are available to those students.

***ACA has a wider use than administering the Federal Pell Grant Program.**

6.2 William D. Ford Federal Direct Loan Program Reporting

Schools participating in the William D. Ford Federal Direct Loan Program (Direct Loan Program) perform a number of reporting functions for the program. Because Direct Loans are disbursed directly to students through their schools, schools must report disbursements and other information to ED on a regular basis. Using the **Student Status Confirmation Report (SSCR)**, schools must report the enrollment status of Direct Loan student borrowers. (SSCR will be discussed in detail in section 6.4 on the **National Student Loan Data System [NSLDS]**).

Direct Loan schools send electronic reports and other communications directly to the **Direct Loan Origination Center (LOC)**.

With the exception of promissory notes and Direct PLUS Loan combined applications/promissory notes (both of which are paper documents), all records transmitted by schools to the LOC are electronically formatted records. Many schools participating in the Direct Loan Program use PC-based EDExpress software to administer the program, some operate on a "mainframe-to-mainframe" basis with the LOC, and still others use a combination of EDExpress and other external systems or software from another vendor.

Up to the point that Direct Loans are disbursed, most of a school's communication with the LOC can be handled by the school's financial aid office. Reporting functions, such as exit counseling reporting, occur after loan disbursement and can be handled by a school office other than the financial aid office, such as the business office.

Monthly Reconciliation

Reference:

- *Direct Loan School Guide*
- DLB 97-49

Schools participating in the Direct Loan Program must reconcile funds on a monthly basis. The reconciliation process involves comparing the school's internal Direct Loan records with the cash balance on the school's monthly **Direct Loan School Account Statement (DLSAS)** received from the LOC. The DLSAS calculates a school's cash balance by adding and subtracting the following cash records:

- drawdowns (also called cash receipts or cash advances),
- returns of excess cash,
- disbursements to borrowers, *and*
- adjustments to disbursements.

The LOC is responsible for initiating the reconciliation process by transmitting the DLSAS electronic file to schools on a monthly basis. However, it is the school's responsibility to review the DLSAS on a monthly basis and resolve any discrepancies with the LOC as quickly as possible.

In effect, the school is responsible for reconciling Direct Loan funds. Any items not reconciled with the LOC and DLSAS by the end of the following month will be included on the next DLSAS for further attempts at reconciliation.

Sometimes there may be items not reconciled before the next month's reconciliation begins. These unreconciled items will be included in the next reconciliation, and all of these items should reconcile in the next month's reconciliation. This is similar to a bank statement in that most records will reconcile, but because of timing differences or rejections, not everything is always reconciled the first time.

After receiving a DLSAS from the LOC, schools are required to review and compare the monthly DLSAS to their internal records to ensure the accuracy of the data on both the school's system and the LOC's system. Schools must reconcile the ending cash balance reflected in the monthly DLSAS cash summary with the cash balance reflected in their internal records.

If there are unreconciled records, the school must review each one and, with the help of the LOC and/or the school's Direct Loan Client Account Manager (CAM), determine why it did not reconcile. The next section provides guidance in reconciling records.

The DLSAS file the LOC creates and exports to schools contains three files:

- the **cash summary record,**
- the **cash detail record,** *and*
- the **loan detail record** (optional).

Cash Summary Record

The cash summary for each month begins with the ending cash balance from the previous month. At the beginning of each academic year, the beginning cash balance should be zero.

The cash summary summarizes:

- drawdowns for the month,
- excess cash received by the LOC for the month,
- all disbursements acknowledged and booked for the month,
- disbursements and adjustments,
- booked loans, *and*
- accepted disbursements for unbooked loans.

A loan is "booked" when

- the LOC has received and accepted a loan origination record;
- the LOC has accepted a signed promissory note from the borrower; *and*
- the disbursement record has been transmitted to and accepted by the LOC.

Cash Detail Record

The cash detail record provides a detailed listing of all drawdowns and excess cash by transaction. Information in the cash detail section should be compared with the school's internal records and bank statements. The information on drawdowns comes from GAPS; the information on excess cash returned comes from the LOC.

Loan Detail Record

The loan detail record is *optional.* For schools that choose to receive a loan detail record, the DLSAS file includes booked disbursement transactions acknowledged during the month.

Schools that do not want a loan detail record as part of the DLSAS file must contact their LOC customer service representative to have it omitted from their electronic file. A school can, however, request a loan detail record for a specific month, even if it does not want a loan detail record included in its DLSAS on a regular basis.

Some common reasons loan detail records fail to reconcile are:

- the loan was never "booked," meaning the LOC did not receive it or rejected one or more of the following—the promissory note, the origination record, or the disbursement record, *or*
- the disbursement record or adjustment record was never sent to the LOC.

Reasons cash detail records fail to reconcile are missing or mismatched cash receipts or excess cash records from either the school or LOC.

After the school has corrected the rejected records, the school should transmit another (corrected) data file for the same reconciliation period to the LOC. The LOC repeats the process of comparing the school's records with its records. This process continues until all records are reconciled.

Tools to Help with Reconciliation

If a school is having problems reconciling records, it can use:

- school system reports,
- the loan detail exception file (#L Batch) data compare option, *and*
- the **Compare Program**.

School System Reports

Five school system reports can be used to help schools reconcile:

1. booked status report
2. cash management report
3. loans with origination records not in Accepted ("A") status
4. loans with promissory notes not in "A" status
5. loans with disbursement records not in "A" status

Loan Detail Exception File

The loan detail exception file (#L Batch) data compare option exports loan data from the school's system. The data exported to the LOC are booked data for a specified month and cumulative unbooked data. The LOC returns a side-by-side comparison report that compares the LOC data with the school data line-by-line.

The Compare Program

Direct Loan Client Account Managers (CAMs) help schools with reconciliation using the Compare Program. The Compare Program electronically compares a school's 732 Detail Report (732) against its EDExpress database. The Compare Program shows if a school has:

- unbooked loans on the 732 Report,
- loan records on the school's system but no corresponding record on the 732 Report,

- loan records on the 732 Report but no corresponding records on the school's system,
- corresponding loan records but net disbursement amounts that don't match, *and*
- any cash records that don't match because of different amounts, missing records, or dates outside a tolerance window.

Schools with questions about reconciliation can call the LOC's Direct Loan Customer Service Center at 1-800-848-0978 for assistance.

Exit Counseling Reporting

Schools are required to provide exit counseling for Direct Loan borrowers who withdraw, graduate, or drop below half-time enrollment. During exit counseling, borrowers are responsible for updating information in a school's records concerning:

- name,
- address,
- Social Security number,
- personal references,
- driver's license number and state where it was issued (if the borrower has a license),
- expected permanent address, *and*
- name and address of expected employer (if known).

ED has advised schools to retain the information in their files for future use in case they need to find borrowers who are late with payments or who default on any of their Title IV loans.

6.3 Federal Family Education Loan (FFEL) Program Reporting

***The same reporting requirements for NSLDS apply to Direct Loan schools.**

Schools are required to report enrollment and other information about Federal Family Education Loan (FFEL) Program student borrowers on a regular basis. This is done by completing a Student Status Confirmation Report (SSCR).* (SSCR will be discussed in detail in the next section, National Student Loan Data System [NSLDS]).

Exit Counseling Reporting

Shortly before FFEL Program student borrowers withdraw, graduate, or drop below half-time enrollment, they are required to update information in a school's records concerning:

- name,
- address,
- Social Security number,
- personal references,
- driver's license number and state where it was issued (if the borrower has a license), *and*
- name and address of expected employer (if known).

Schools are required to report this updated exit information to the student's guaranty agency within 60 days of receiving it.

6.4 National Student Loan Data System (NSLDS)

Reference:

- *The Paperless Link NSLDS: Quick Reference Guide, October 1998*

The National Student Loan Data System (NSLDS) is the national database for Title IV loan and grant program information. NSLDS maintains a record for each student who receives aid from certain Title IV programs. NSLDS contains data on recipients from:

- the Federal Family Education Loan (FFEL) Program,
- the William D. Ford Federal Direct Loan Program,
- the Federal Perkins Loan Program (including NDSLs and National Defense Student Loans),
- the Federal Pell Grant Program, *and*
- the Federal Supplemental Educational Opportunity Grant (FSEOG) Program.

New

Reference:

www.nslds.ed.gov
www.nsldsfap.ed.gov

Accessing NSLDS

NSLDS access is available from two Web sites. There is one Web site for school users and one for student users. School users are required to have user IDs and passwords to access restricted sites on the NSLDS Web site for financial aid professionals. Schools can access information only for students who attended their school. Students are required to use an ED-assigned PIN to access their personal information on the NSLDS Web site for students.

Data Providers

NSLDS receives data from multiple sources, both internal and external to ED, and it maintains those data in several integrated databases. The data are available to many different system users for administration, research support, policy analysis, and other management purposes.

ED's Internal Data Sources

ED's internal data sources include the Central Processing System (CPS), ED's Debt Collection Service (DCS), the **Direct Loan Servicing Center (DLSC)**, the Postsecondary Education Participant System (PEPS), and the Recipient Financial Management System (RFMS).

- *CPS* – performs the eligibility prescreening function that identifies recipients who potentially are ineligible for additional Title IV aid.
- *DCS* – provides updates on defaulted Federally Insured Student Loans (FISLs), Federal Perkins Loans, and FFEL Program loans assigned to ED for collection.
- *DLSC* – supplies NSLDS with monthly data on Direct Loan recipients.
- *PEPS* – provides a means to convert Federal Pell Grant institution codes, FFEL Program school IDs, and campus-based school codes to OPE-IDs.
- *RFMS* – provides NSLDS with Federal Pell Grant payment information on a weekly basis.

ED's External Data Sources

ED's external data sources include guaranty agencies, lenders, schools, and third-party servicers.

- *Guaranty Agencies*—Guaranty agencies provide data monthly to NSLDS on FFEL Program loans held by lenders or by the guaranty agencies themselves. While agencies submit data monthly, outstanding principal balances may be up to four months old since lenders may report balances to their guaranty agency only on a quarterly basis.
- *Lenders*—Lenders or their servicers are required to provide information to their affiliated guaranty agencies (for subsequent submission to NSLDS) on loan sales, deferments, disbursements, refunds, cancellations, interest rates, loan status, and preclaims assistance requests.
- *Schools*—Schools (or their third-party servicers, if applicable) are required to provide:

- Student Status Confirmation Report (SSCR)—*enrollment information to NSLDS using the SSCR;*
- Overpayment information—*Pell Grant and FSEOG overpayment information to NSLDS;* and
- Federal Perkins Loans data—*accurate data every 30 days to NSLDS on Federal Perkins Loans (including overpayment information), NDSLs, and National Defense Student Loans.*

NSLDS provides a flexible, accessible, and comprehensive database of Title IV information that can be used for a wide range of research and reporting purposes. The database is secure with controlled access to both ED and approved external users.

While NSLDS is used primarily as an information resource for schools, its existence changed reporting procedures for the SSCR, overpayments, and the Federal Perkins Loan Program.

Student Status Confirmation Report (SSCR)

Reference:
- **34 CFR 682.610(c)**
- **34 CFR 685.309(b)**

Since January 1, 1998, federal regulations have required all schools to have online access to NSLDS, whether the school uses a third-party servicer or mainframe-to-mainframe connectivity to exchange SSCR files. The primary reason for this requirement is to ensure schools have access to the NSLDS online financial aid history screens.

- If the school uses a third-party servicer to perform the SSCR function on its behalf, the school must indicate the servicer on its Program Participation Agreement with ED.
- If a school changes or adds a third-party servicer, it must report this to ED to be in compliance.
- If the school hires a third-party servicer to perform its SSCR function, the third-party servicer is the destination point for the exchange of SSCR data. The data will not be sent to the school.

The Higher Education Act of 1965, as amended (HEA), requires schools to confirm and report the enrollment status of students who receive federal loans.

- Schools comply with the federal requirement to update and provide current enrollment information through the SSCR process.
- The SSCR reporting process is the same for Direct Loan Program Loans and FFEL Program Loans.

The SSCR process plays a critical role in effectively administering Title IV loan programs. It is the primary means of verifying student loan deferment and award eligibility, and it provides a basis for the federal government's monetary obligations.

Using the SSCR process, schools can update enrollment information in NSLDS through two methods: the batch method or online method.

- *Batch Method*: This method allows a school to receive a single electronic SSCR file, fully process it in its computing environment, and transmit the SSCR data back to NSLDS–again as a single file.
- *Online Method*: This method allows a school to update enrollment data directly on the screens in NSLDS using 3270 Emulator.

Reference:
- *SSCR User's Guide*

In some circumstances, there are advantages to using the online method:

- If a school needs to correct a few student records on a previously submitted SSCR or make an ad hoc report for a change in student status, online updating is appropriate.
- The SSCR software module allows a school to update and build a submittal file on its personal computer off-line (that is, without being connected to NSLDS) and transmit it using EDconnect 32-bit software.
    - For more information about the SSCR software, call CPS Customer Service at 1-800-330-5947.
    - To order the SSCR 32-bit software, the number to call is 1-800-330-5947.

There are three files associated with the SSCR process:

1. SSCR Roster File
2. SSCR Submittal File
3. SSCR Error Notification File

SSCR Roster File

The SSCR Roster File is sent to a school or its third-party servicer and contains a list of borrowers who are recorded in the NSLDS database as being enrolled at that school or who have withdrawn in the last six months. The students will have one of these six statuses:

1. F–full time
2. G–graduated
3. H–half time

4. L–less than half time

5. A–authorized leave of absence

6. W–withdrawn

Students reported to NSLDS with a "G" or "W" enrollment status remain on the roster 180 days from the reported date of graduation or withdrawal.

A school sets its own schedule for receiving SSCR Roster Files, using the online screens. The schedule must meet the following ED requirements:

- In a 12-month period, a school must request a minimum of at least two SSCRs and may request a maximum of up to six SSCRs.
- A school may not schedule SSCR rosters for successive months.
- If the school has term-based programs, at least one SSCR must be requested each regular term.
- If a school schedules fewer than four SSCRs, the SSCRs must be scheduled at least four months apart.
- A school may change its SSCR schedule at any time, as long as ED's requirements are met.
  - If a school wants to change its schedule for receiving SSCRs, it should make the change at least ten days before the next scheduled delivery of a roster.

If a school does not establish its own schedule, NSLDS will send rosters every other month during the academic year.

SSCR Submittal File

Within 30 calendar days of a school receiving the SSCR Roster File, the school must review the data, make any necessary changes, and send in the SSCR Submittal File. NSLDS retrieves the updated file from the school's Student Aid Internet Gateway (SAIG) mailbox.

Schools that don't comply with the 30-day requirement may be subject to actions by ED.

ED sends "overdue letters" to schools if they have not complied on time. These letters remind schools of their SSCR obligations and ED's enforcement options.

If a school uses a third-party servicer, it is a business relationship. The school is responsible for the performance of the third-party servicer in handling SSCR responsibilities.

SSCR Error Notification File

After NSLDS receives and processes the data in the school's SSCR Submittal File, it returns an SSCR Error Notification File to the school. This file documents the school's compliance with SSCR requirements.

NSLDS will always generate an SSCR Error Notification File, even if it is to report there are no errors in a school's SSCR Submittal File.

- If errors are noted, the school has ten calendar days to respond to the error report and correct the errors.
- The notification file will continue to be sent to a school until the errors are corrected or the next cycle comes up.
- All unresolved errors appear in the next SSCR cycle and are monitored by ED.
- If the file contains no errors, the school does not need to respond. However, the school should keep the file as proof the institution successfully completed the SSCR requirement.
- The school can correct errors online, even if the initial SSCR Submittal File was returned using the batch process.

Overpayments

Reference:

- HEA, Section 484(a)(3)
- DCL GEN-98-14
- DCL GEN-98-22

The HEA states a student is not eligible to receive Title IV funds if he or she owes an overpayment on Title IV aid. Schools must notify NSLDS about students who currently owe an overpayment on a Federal Pell Grant, FSEOG, or Federal Perkins Loan.

Schools must report overpayment information for:

- overpayments that haven't been repaid,
- overpayments that haven't been resolved, *and*
- overpayments where the student has made satisfactory payment arrangements.

Reference:

- *Electronic Aid Office Training Guide*

Once a school notifies NSLDS about a student's overpayment, the overpayment information will appear on NSLDS's financial aid history screens and overpayment screens, which allows other schools to view the information. A process called **post-screening** results in an exchange of information between the Central Processing System (CPS) and NSLDS. If a student's eligibility changes because of overpayment information being added, NSLDS generates new Institutional Student Information Records (ISIRs) to schools and a new Student Aid Report (SAR) to the student.

Anytime an ISIR showing a student has received an unresolved overpayment is received by a school, the school must deny Title IV aid to that student until the overpayment has been resolved.

Schools are required to report any new overpayments and changes to previously submitted overpayment information no later than 30 days after the school becomes aware of the overpayment or of the needed change.

Overpayments previously reported by schools to ED's Debt Collection Service (DCS) are entered into NSLDS by ED. Schools do not need to enter those overpayments into NSLDS.

Reporting overpayment information to NSLDS is separate and distinct from the requirement that institutions refer unsuccessfully collected overpayments to ED so DCS can collect the overpayments.

Reference:

- *Electronic Aid Office Training Guide*

Federal Perkins Loan

All schools must report Federal Perkins Loan data electronically using the Internet.

Schools or their third-party servicers must report Federal Perkins Loan data to NSLDS monthly. The school or third-party servicer makes an initial submission of data to NSLDS that includes:

- all active loans in the school's Federal Perkins Loan portfolio, regardless of status (except those permanently assigned to ED) *and*
- all Federal Perkins Loans closed on or after October 1, 1989.

After initially submitting Federal Perkins Loan data, schools or their third-party servicers are required to report only data for new loans and data changes for active loans. All data submitted to NSLDS must be as complete and correct as possible and submitted according to a schedule established by ED.

The process for submitting ongoing Federal Perkins Loan data includes:

- extracting specific data elements from each qualified loan record in the school's database;
- formatting the data in a standard manner;
- editing and verifying the data; *and*
- creating a submission file of the data to send to NSLDS.

6.5 The Fiscal Operations Report and Application to Participate (FISAP)

Reference:
- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*
- *FISAP Technical Reference*
- DPL CB-01-02

The electronic Fiscal Operations Report and Application to Participate (FISAP) is:

- an application a school completes to receive funds from one or more Title IV campus-based programs for the upcoming award year *and*
- an annual report of financial and enrollment activity for the previous award year.

The business office, financial aid office, and registrar's office should work together closely to gather information needed to complete the FISAP. (The actual offices involved with completing the FISAP can vary from school to school.) The information on the FISAP must be verified before submitting it to ED.

Schools applying for campus-based funds for the first time will not have Title IV program expenditures to report for the previous award year. However, these schools must still complete and file Part I, including the certifications, and Part II of the FISAP to request funds for the upcoming award year.

Beginning with the 2000-01 award year, schools are required to submit their FISAPs to a campus-based program contractor using ED's electronic Student Aid Internet Gateway (SAIG); they must use EDConnect (FISAP for Windows) software to transmit their FISAP data. The data is then processed and returned to the school's SAIG mailbox.

Schools must file a FISAP electronically no later than October 1 of each calendar year. Each annual FISAP reports information for the preceding award year that ended on June 30 of the current calendar year and requests funds for the following award year that begins on July 1 of the following calendar year.

- For example, when a school files a FISAP on October 1, 2001, it will report for the period from July 1, 2000 through June 30, 2001 (the previous award year) and apply for the period July 1, 2002 through June 30, 2003 (the upcoming award year).

Reference:
- DCL CB-99-3
- DCL CB-99-6

Reference:

www.ifap.ed.gov

ED electronically distributes the FISAP cover letter, installation guide, and software to schools no later than August 1 each year. Schools may download the *FISAP Instruction Booklet* and the *FISAP Technical Reference* from ED's Information for Financial Aid Professionals (IFAP) Web site. All FISAP edits must be resolved or explained to ED's satisfaction before any Title IV funds are allocated. Schools should receive a final edit report from ED by November 15 of each calendar year; they must submit any edit corrections by December 15.

Schools receive tentative allocations of funds by February 1 and final allocations of funds by April 1 for the upcoming award year beginning July 1.

In addition to data submitted electronically, schools must mail signed, original copies of the FISAP signature page* and certification forms to ED. The certification forms, which are included in the FISAP package, cover anti-lobbying, debarment, and drug-free workplace requirements.**

***Schools do not have to send a new FISAP signature page during the FISAP edit process.**

****The anti-lobbying, debarment, and drug-free workplace as well as the FISAP certification and signature pages have been combined to reduce burden for schools in the 2002-03 FISAP Application to Participate.**

Completing the FISAP requires accurate, detailed accounting information. The process can be greatly simplified if a school designs its chart of accounts with the FISAP in mind. In addition, accurate, well-maintained student records are necessary to complete the FISAP properly.

The FISAP software provides instructions and has edits to help users complete the information. The following discussion provides an overview of each section of the FISAP, focusing on issues of particular interest to school fiscal officers.

Part I: Identifying Information, Certifications, and Warning

All institutions must complete Part I.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Section A: Identifying Information

Section A of Part I gathers information about a school ED uses to update its records. Section A requests the following information about the school:

- *Field 1a*: name and address of institution,
- *Field 1b*: mailing address (if different from official address),
- *Fields 2a* and *2b*: ED identifiers,
- *Field 3*: type of institution,
- *Field 4:* length and type of longest program, *and*
- *Field 5*: additional locations.

Section B: Certifications and Warning

By signing Section B of Part I, the school certifies the information submitted on the FISAP is true and accurate to the best knowledge of school officials signing the certification. It also warns certifying officials that the institution's FISAP is subject to audit and program review by ED and providing false or misleading information on the FISAP may result in criminal penalties.

Fields 6 - 8 collect signatures, titles, telephone numbers, fax numbers, and email addresses of a school's financial aid administrator (FAA) and chief executive officer (CEO). If a school uses a private financial aid consulting firm, and if individuals from that firm have signed the FISAP as the school's CFO or FAA, the firm's name and address must also be provided.

Because Part I must contain original signatures, it must be returned to ED in paper form. Specific instructions for returning the signature page are given in the FISAP instructions.

Part II: Application to Participate

Reference:
- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Schools that wish to request Title IV campus-based funds for an upcoming award year must complete Part II of the FISAP. In addition to requesting funds for one or more campus-based program, schools use this part to report institutional information on student enrollment, tuition and fee assessments, and Federal Pell Grant and state aid expenditures, as well as eligible aid applicants. The amount of funds an institution receives is determined by formulas contained in federal law and regulations.

Section A: Request for Funds

In Section A, a school lists the amount of funds it wants to receive for each campus-based program in which it participates. If the school enters $0 for a program, it will not receive an allocation for that program, even if it is eligible to do so. Actual allocations are computed by ED and may differ from the amounts the school requests.

A school should not request more federal funds for a program than it expects to use. Unexpended funds from a previous award year indicate a school overestimated its needs. This may result in a reduced program allocation for the upcoming award year.

This section requires schools to enter two types of funding requests for the Federal Perkins Loan Program. In *Field 1*, schools report the **level of expenditure (LOE)**. LOE is the total amount a school expects to use to make loans to students and to pay administrative costs and collection costs in the upcoming award year. In *Field 2*, schools report the amount of federal funds (the federal share) they need to support their LOE requests. This is called the **Federal Capital Contribution (FCC)**.* FCC is the amount of new federal funds to be contributed to a school's existing Federal Perkins Loan fund.

***The federal share is only a portion of the total funds expended from each campus-based program.**

In *Field 3* of this section, schools request Federal Supplemental Educational Opportunity Grant (FSEOG) funds. A school's FSEOG request is the amount of federal funds (the federal share) needed to make awards to students and to pay program administrative costs in the upcoming award year.

In *Field 4* of this section, schools request Federal Work-Study (FWS) funds. A school's FWS request is the amount of federal funds (the federal share) needed to make awards to students to pay their earned compensation, cover allowable Job Location and Development (JLD) Program expenditures, and pay administrative costs.

Total funds expended from each campus-based program must contain both a federal and nonfederal share. The nonfederal share is the **Institutional Capital Contribution (ICC)**. Part II, Section A, of the FISAP concerns the federal share only. However, schools must consider their nonfederal shares when determining expected campus-based expenditures and their need for federal funds.

Section B: Federal Perkins Loan Program Liquidation Request

In *Field 5*, a school can indicate whether it wants to discontinue participation in the Federal Perkins Loan Program.

Section C: Waiver Request for the Underuse of Funds*

If a school returned more than 10 percent of its Federal Perkins Loan, FSEOG, or FWS allocation for the previous award year, it will receive an automatic reduction of the 2001-02 allocation for that program in the same amount of the 1999-2000 funds that were underused.

In *Field 6*, Section C, a school that returned more than 10 percent of its Federal Perkins Loan, FSEOG, or FWS allocation for the previous award year can apply for a waiver of the underuse penalty.

A school requesting a waiver of the underuse of funds penalty is required to provide a written explanation of the circumstances surrounding the return of these funds. An additional information screen is available in the FISAP software for this purpose. If a school needs to submit additional documentation to support its written explanation, it must be submitted with the signature page and certification forms.

Each waiver request will be considered by an ED review panel. The panel reviews the request, and the school will get a letter approving or disapproving the request. If it is approved, the waiver appears on the school's Final Funding Authorization.

Section D: Information on Enrollment

Section D collects enrollment information ED uses to compute a school's campus-based program allocations. A school reports its enrollment information on the basis of whether it uses a traditional or nontraditional calendar.

A school that uses a traditional calendar**:

- has academic terms that are quarters, semesters, or trimesters *and*
- has only one admission period during each academic term.

It includes any student enrolled in one or more undergraduate or graduate/professional classes, except students who exclusively were auditing classes. Traditional schools complete *Field 7* or *Field* 8, whichever applies.

Reference:

- 34 CFR Parts 673.4 (d)(3)

New

***The field for the Title III waiver application has been eliminated in the 2002-03 FISAP Application to Participate. Schools that want a waiver of the institutional-share requirement under the FWS and FSEOG Programs because of their Title III designation are no longer required to check a field on the FISAP in order to request this waiver. For further information on this issue refer to DPL CB-01-02.**

****Schools select "Yes" or "No" when asked if they have a traditional calendar.**

***The complete nontraditional calendar enrollment grid has been reinstated in the FISAP, as seen on the 2002-03 FISAP Application to Participate.**

A school that uses a nontraditional calendar*:

- admits a new group of students monthly or more frequently into a majority of its eligible programs, even if they attend classes on a quarter, semester, or trimester basis *or*
- has students enroll on a quarter, semester, or trimester basis, but admits a new group of students in a program monthly, bi-monthly, and so on.

Nontraditional schools complete *Fields 9 through 21*.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Section E: Assessments and Expenditures

The information reported in Section E is also used to compute a school's need for campus-based program funds.

In *Field 22* of this section, schools must disclose tuition and fee revenues** assessed for all students reported as enrolled in Section F of Part II. Assessed tuition and fee revenues include:

****Assessed fee revenues are fees that are charged to all students.**

- amounts charged to and collected from students,
- amounts charged but not collected, *and*
- remissions or waivers of costs.

If a school charges a total, inclusive fee for tuition and room and board, it may not count the room and board portion of the fee in assessed revenues. It must allot a reasonable amount of the total fee to tuition only.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

If a school assesses and collects fees on behalf of a noninstitutional agency, it may not count these fees in assessed revenues. (For example, student medical-insurance premiums collected by a school and passed on to an insurance company are not considered school-assessed revenues.)

Field 23 in Section E requires schools to report total Federal Pell Grant expenditures for the previous award year. This amount should agree with the final cumulative amount entered in GAPS.

Finally, *Field 24* in Section E collects information on state scholarships and state grant expenditures for undergraduates for the previous award year. These expenditures consist of:

- state grants,
- state scholarships,
- tuition equalization awards,
- competitive awards,

- instructional grant awards, *and*
- Leveraging Educational Assistance Partnership (LEAP) Program grants (formerly State Student Incentive Grants [SSIGs]).

Reference:
- DCL CB-98-15
- DCL CB-00-13

LEAP Program award amounts include the total of both federal and nonfederal shares, regardless of the source of the nonfederal share.

State awards include those from the state in which a school is located and those that students bring with them from other states. State awards should not be included if a school makes the final decisions about which students get the funds, unless such funds are used as a source of the nonfederal share for the LEAP Program.

Robert C. Byrd Honors Scholarships and Paul Douglas Teacher Scholarships are excluded from state awards; they must not be reported in Section E.

Section F: Information on Eligible Aid Applicants

Section F covers *Fields 25 - 40.* In Section F, a school reports information for eligible aid applicants on the basis of a student's dependency status (dependent or independent), program classification (undergraduate or graduate), and total family income (the total of a student's and parents' or a student's and spouse's taxable and nontaxable income used to calculate the student's expected family contribution [EFC]). Information for students with an automatic zero EFC (no family contribution is expected) is also broken down. Backup documentation for Section F must be maintained at the institution.

Reference:
- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Information is reported for all students who enrolled at the institution for the previous award year and applied for financial aid for that year. Any student who meets the definition of an "eligible aid applicant" must be included, even if the student received no financial aid funds.

Reference:
- HEA, Part F
- 34 CFR 600.2
- *Student Financial Aid Handbook, Volume 1: Student Eligibility*
- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

An "eligible aid applicant" is a regular student who:

- was enrolled in an academic or training program eligible for the campus-based program during the previous award year;
- met citizenship or residency requirements for the previous award year;
- applied for financial aid for the previous award year, as documented by the "official" Expected Family Contribution (EFC) calculated by the Central Processing System (CPS); *and*
- has on file all the information needed to perform a need-analysis assessment based on required information in the HEA.

Part III: Federal Perkins Loan Program

Reference:
- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Note: The Federal Perkins Loan Program was formerly referred to as the NDSL Program (National Direct Student Loan Program) and the National Defense Student Loan Program. Some schools still report information on the FISAP about borrowers who received loans under one of these former program names. This discussion uses the name "Federal Perkins Loan Program" to refer to loans made under any of these program names.

Part III* must be completed if:

- a school is a continuing participant in the Federal Perkins Loan Program;
- a school is liquidating its Federal Perkins Loan fund**;
- a school did not receive a Federal Capital Contribution (FCC)** for the previous award year but did make loans from its Federal Perkins Loan fund; *or*
- a school received Federal Perkins Loan funds for the first time in the previous award year.

***A school will need its Federal Perkins Loan Program account ledgers to complete Part III of the FISAP.**

Reference:
- DCL CB-98-11 (LD)

****If a school is liquidating its Federal Perkins Loan fund or if it did not receive FCC for the award year of the report, page 14 of the Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet provides further information.**

If the school has set up its Federal Perkins Loan accounts as recommended in Chapter 5 of this book, the information needed to complete this part should be readily available. Although schools may use different account-numbering systems, the Federal Perkins Loan fund account should contain subsidiary accounts that correspond to appropriate line items in Part III.

If a school contracts with a third-party servicer to collect and manage Federal Perkins Loan funds, the school is still responsible for the accuracy of the information reported to it by that servicer. Any fiscal reports provided by a servicer should be checked against the school's Federal Perkins Loan fund accounts and student records before being used to complete Part III of the FISAP.

Section A: Fiscal Report (Cumulative)

This section is a historical report of a school's Federal Perkins Loan fund activity from the inception of the program at the school through June 30 of the most recently ended award year. This report is the balance sheet for the school's Federal Perkins Loan fund, and *it must balance.* Institutions that close the amounts in each of the income and expense accounts to the fund balance each fiscal year will need to maintain a separate record of the *cumulative* income and expenses since the inception of the program at their schools to prepare this section.

Reference:
- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

The field numbers in the left margin of Part III, Section A, do not correspond to the Federal Perkins Loan ledger account numbers used in Chapter 5 of this book. Because the field numbers in this section of the FISAP often change from one year to the next year, this discussion refers to items on the FISAP balance sheet and the account number and title of the corresponding school ledger account.

Several field items in this section ask for the number of borrowers. This is an unduplicated, cumulative count of borrowers in the category represented by the field item.

- For example, under the field item, "Loan Principal Collected," the number of borrowers would be the unduplicated, cumulative count of the number of borrowers who made payments on their loans. In other words, if a borrower is making payments on two loans, that borrower is counted only once.

Additional information about the items in this section can be found in the current version of the FISAP instructions, which is sent to schools in July of every year.

Field 1.1: *Cash on Hand and in Depository as of 6/30/2001*: Account # 1-1, Cash, Federal Perkins Loans

Field 1.2: *Cash on Hand and in Depository as of 10/31/2001*: Account # 1-1, Cash, Federal Perkins Loans

Field 2: *Funds Receivable from Federal Government*

Field 3: *Funds Receivable from School*: Account # 6-2, Funds Transferred from Institution - Perkins - ICC

Field 4: *Funds Advanced to Students*: Account # 1-2, Funds Advanced to Students

Field 5: *Loan Principal Collected*: Account # 2-1, Loan Principal Collected

Field 6: *Loan Principal Assigned to and Accepted by the United States*: Account # 2-2, Defaulted Loan Principal - Assigned to Federal Government

Field 7: *Total Loan Principal Canceled on Loans Made Prior to 7/1/1972 for Teaching/Military Service*: The sum of accounts:

- # 2-3 Loan Principal Canceled - Teaching Service (10% Rate), Loans Made Prior to 7/1/72
- # 2-4 Loan Principal Canceled - Teaching Service (15% Rate), Loans Made Prior to 7/1/72
- # 2-5 Loan Principal Canceled - Military Service (12.5% Rate), Loans Made Prior to 7/1/72

Field 8: *Loan Principal Canceled for Certain Subject Matter Teaching Service (Math, Science, Foreign Languages, Bilingual Education):* The sum of accounts:

- # 2-9 Loan Principal Canceled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (15% Rate), Loans Made 7/23/92 and After

- # 2-10 Loan Principal Canceled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (20% Rate), Loans Made 7/23/92 and After

- # 2-11 Loan Principal Canceled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (30% Rate), Loans Made 7/23/92 and After

Field 9: *Loan Principal Canceled for All Other Authorized Teaching Service:* The sum of accounts:

- # 2-6 Loan Principal Canceled - Teaching Service (15% Rate), Loans Made 7/1/72 and After

- # 2-7 Loan Principal Canceled - Teaching Service (20% Rate), Loans Made 7/1/72 and After

- # 2-8 Loan Principal Canceled - Teaching Service (30% Rate), Loans Made 7/1/72 and After

- # 2-18 Loan Principal Canceled - Head Start (15% Rate)

Field 10: *Loan Principal Canceled for Military Service on Loans Made 7/1/72 and After:* Account # 2-12, Loan Principal Canceled - Military Service (12.5% rate), Loans Made 7/1/72 and After

Field 11: *Loan Principal Canceled for Volunteer Service:* The sum of accounts:

- # 2-16 Loan Principal Canceled - Peace Corps or VISTA (15% Rate)

- # 2-17 Loan Principal Canceled - Peace Corps or VISTA (20% Rate)

- # 2-19 Loan Principal Canceled - Volunteer Service (15% Rate)

- # 2-20 Loan Principal Canceled - Volunteer Service (20% Rate)

Field 12: *Loan Principal Canceled for Law Enforcement and Corrections Officer Service:* The sum of accounts:

- # 2-21 Loan Principal Canceled - Law Enforcement and Corrections Officer Service (15% Rate)

- # 2-22 Loan Principal Canceled - Law Enforcement and Corrections Officer Service (20% Rate)

Field 13: *Loan Principal Canceled for Child/Family/Early Intervention Service:* The sum of accounts:

- # 2-26 Loan Principal Canceled - Child/Family and Early Intervention Service (15% Rate)
- # 2-27 Loan Principal Canceled - Child/Family and Early Intervention Service (20% Rate)
- # 2-28 Loan Principal Canceled - Child/Family and Early Intervention Service (30% Rate)

Field 14: *Loan Principal Canceled for Nurse/Medical Technician Service:* The sum of accounts:

- # 2-23 Loan Principal Canceled - Nurse/Medical Technician (15% Rate)
- # 2-24 Loan Principal Canceled - Nurse/Medical Technician (20% Rate)
- # 2-25 Loan Principal Canceled - Nurse/Medical Technician (30% Rate)

Field 15: *Loan Principal Canceled, Death/Disability*: The sum of accounts:

- # 2-13 Loan Principal Canceled - Death
- # 2-14 Loan Principal Canceled - Disability

Field 16: *Loan Principal Canceled for Bankruptcy:* Account # 2-15, Loan Principal Canceled - Bankruptcy

Field 17: *Loan Principal Canceled for Loans Discharged Due to Closed Schools*

Field 18: *Loan Principal Adjustments, Other*: Account # 2-29, Loan Principal Adjustments - Other

Field 19: *Federal Capital Contributions*: Account # 4-1, Federal Fund Balance

Field 20: *Repayments of Fund Capital to Federal Government*: Account # 6-7, Repayments to Federal Government

Field 21: *Institutional Capital Contributions*: Account # 4-2, Institutional Fund Balance

Field 22: *Repayments of Fund Capital to School:* Account # 6-8, Repayments to Institution

Field 23: *Interest Income on Loans:* Account # 6-3, Interest Earned on Loans

Field 24: *Other Income:* The sum of accounts:

- # 6-4 Other Earnings - Late Charges on Loans Made 7/1/87 and After
- # 6-5 Other Earnings - Miscellaneous

Field 25: *Reimbursements to the Fund of Amounts Canceled on Loans Made 7/1/72 and After:* Account # 6-6, Reimbursement of Amounts Canceled on Loans Made 7/1/72 and After

Field 26.1: *Administrative Cost Allowance:* Account # 7-2, Administrative Cost Allowance (ACA) Paid to Institution

Field 26.2: *Collection Costs:* Account # 7-3, Other Collection Expenses

Field 26.3: *Administrative Cost Allowance and Collection Costs (Control):* The sum of accounts # 7-2 and 7-3

Field 27: *Cost of Loan Principal and Interest Canceled for Teaching/Military Service on Loans Made Prior to 7/1/72*: The sum of accounts:

- # 7-4 Cost of Loan Principal and Interest Canceled - Teaching Service, Loans Made Prior to 7/1/72
- # 7-6 Cost of Loan Principal and Interest Canceled - Military Service, Loans Made Prior to 7/1/72

Field 28: *Cost of Principal and Interest Canceled for Certain Subject Matter Teaching Service (Math, Science, Foreign Languages, Bilingual Education).*

Field 29: *Cost of Principal and Interest Canceled for All Other Authorized Teaching Service.*

Field 30: *Cost of Loan Principal and Interest Canceled for Military Service on Loans Made 7/1/72 and After:* Account # 7-8, Cost of Loan Principal and Interest Canceled - Military Service, Loans Made 7/1/72 and After

Field 31: *Cost of Loan Principal and Interest Canceled for Volunteer Service in the Peace Corps or under the Domestic Volunteer Service Act of 1973*: The sum of accounts:

- # 7-12 Cost of Loan Principal and Interest Canceled - Peace Corps or VISTA
- # 7-14 Cost of Loan Principal and Interest Canceled - Volunteer Service

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Field 32: *Cost of Loan Principal and Interest Canceled for Law Enforcement and Corrections Officer Service*: Account # 7-15, Cost of Loan Principal and Interest Canceled - Law Enforcement and Corrections Officer Service

Field 33: *Cost of Loan Principal and Interest Canceled for Child/Family and Early Intervention Service*: Account # 7-17, Cost of Loan Principal and Interest Canceled - Child/Family and Early Intervention Service`

Field 34: *Cost of Loan Principal and Interest Canceled for Nurse/Medical Technician Service*: Account # 7-16, Cost of Loan Principal and Interest Canceled - Nurse/Medical Technician

Field 35: *Cost of Principal and Interest Canceled Because of Death/Disability*: The sum of accounts:

- # 7-9 Cost of Loan Principal and Interest Canceled - Death
- # 7-10 Cost of Loan Principal and Interest Canceled - Disability

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Field 36: *Cost of Principal and Interest Canceled Because of Bankruptcy*: Account # 7-11, Cost of Loan Principal and Interest Canceled - Bankruptcy

Field 37: *Cost of Loan Principal and Interest Assigned to and Accepted by the United States*: Account # 7-18, Cost of Defaulted Loan Principal and Interest Assigned to Federal Government

Field 38: *Cost of Loan Principal and Interest Canceled for Loans Discharged Due to Closed Schools*

Field 39: *Other Costs or Losses*: Account # 7-19, Other Costs or Losses

Field 40: *Total Debits and Credits*: Sum of Fields 1-39

Section B: Fund Activity (Annual)

In *Field 1* of this section, a school reports the final adjusted Federal Capital Contribution (FCC) authorization. It is reported as the:

	Amount of the school's original allocation for the previous award year
plus	Any supplemental allocation amounts received for the year
minus	Any allocation amounts released for the year*
equals	Final adjusted FCC authorization

***The amount released applies to any amounts released to ED before September 30.**

In *Field 2*, FCC transferred to and spent in the Federal Supplemental Educational Opportunity Grant (FSEOG) Program and Federal Work-Study (FWS) Program must be reported. The sum of amounts transferred to and spent in both programs may not exceed 25 percent of a school's total FCC allocation. Any FCC transferred to FSEOG or FWS must be entered in GAPS as an expenditure against the school's Federal Perkins Loan authorization, *not* against its authorization for FSEOG or FWS.

In *Field 3*, schools must report the amount of final adjusted authorized FCC for the previous award year that was not requested (drawn down) from GAPS by the end of the year. (Schools may not request FCC after June 30 of a given award year.) Authorized FCC amounts not requested will be deducted from funds available in a school's GAPS's grantee account.

In *Field 4*, the amount of Institutional Capital Contribution (ICC) deposited into a school's Federal Perkins Loan fund for the previous award year must be reported.

In *Field 5*, schools must report the amount of loans advanced to students, which is the net amount of loans made to borrowers from a school's Federal Perkins Loan fund during the previous award year. The amount of loans advanced should equal the total amount of loans paid to borrowers during the year *minus* any refunds or repayments of loans made during the year. Refunds or repayments of prior-year loans are not included.

If a school took its entire Federal Perkins Loan ACA or a portion of it from an FSEOG or FWS allocation from a prior award year, and the school recovered Federal Perkins Loan funds in the award year of the report that were issued to students in a prior award year, the school must reduce its Federal Perkins Loan ACA for that prior award year. The school may:

- follow FSEOG or FWS procedures for handling prior-year recoveries *or*
- make no adjustments to FSEOG or FWS prior-year recoveries, *and* reduce the base amount on which the ACA for the reporting year is calculated.

In *Field 6*, administrative cost allowance (ACA) must be reported. ACA is the amount withdrawn from a school's Federal Perkins Loan fund to cover the cost of administering one or more Title IV campus-based programs.

Reference:

- ***Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet***

In *Field 7*, schools must report the total amount of principal and interest repaid by borrowers from all sources during the previous award year, as well as an unduplicated count of borrowers who made payments (in other words, a borrower with two loans is counted only once). The total dollar amount repaid includes:

- all amounts received as payments against borrowers' loans, regardless of the source of the payment,
- any portion of a payment kept by a collection agency, *and*
- penalty charges or late fees collected and deposited into the school's Federal Perkins Loan fund.

The total dollar amount repaid does *not* include:

- collection-firm charges due as collection costs that are over and above the amount of principal and interest collected *or*
- interest received from any investments.

Section C: Cumulative Repayment Information

This section analyzes the repayment status of all of a school's past and present Federal Perkins Loan borrowers as of the end of the previous award year. It collects information on the number of borrowers in various repayment categories, the amount lent, and the outstanding principal amount of their loans. When counting borrowers, schools should count the number of actual borrowers, not the number of loans made. Some borrowers may have received more than one Federal Perkins Loan.

If a borrower has more than one loan and the loans fall into more than one repayment category, dollar figures for each loan should be reported in the field that describes the status of that loan. For example, a borrower might have one Perkins Loan paid in full and another Perkins Loan still in repayment. The amount of the first loan would be reported under "borrowers whose loans are fully retired," while the amount of the second loan would be reported under "borrowers on schedule in repayment." In any case, a borrower should be counted only once and reported in the "number of borrowers" column and the category where his or her principal amount outstanding is the greatest. In the example given here, that category would be "borrowers on schedule in repayment."

In *Field 1.1*, schools report borrowers whose loans are fully retired (borrowers whose loans have been completely repaid or canceled).

This category includes loans that were retired after the remaining outstanding principal was written off.

In *Field 1.2*, schools report loans that have been purchased.* Of the loans included in *Field 1.1* as fully retired, schools report the outstanding principal balance, all interest due, and any collection fees due on all loans submitted for assignment that were not accepted and for which the school reimbursed the Perkins Loan fund. This entry is used for liquidation purposes.

***If a school is liquidating its Federal Perkins Loan portfolio, ED will not consider the school to have fully liquidated it unless all loans with a principal amount outstanding are purchased by the school or assigned to ED.**

In *Field 2*, schools report borrowers whose notes were assigned and officially accepted by ED as of the end of the previous award year. Total principal amount outstanding for these loans is the amount outstanding when the loans were assigned to and accepted by ED. The amount may not include any

hese after-assignment payments are sent to:

National Payment Center
Perkins Loan (NDSL)
P.O. Box 4169
Greenville, TX 75403-4169

penalty charges or late fees assigned to ED for collection *or* any payments a school might have received from borrowers after ED accepted their loans. Payments received by a school after a loan is assigned (to ED) must be sent directly to ED.*

In *Field 3*, schools report all borrowers not in repayment (borrowers attending an eligible postsecondary school at least half time and those borrowers whose loans are in a grace period or in deferment). This includes borrowers attending the school that made the loans, borrowers attending other schools under an authorized in-school deferment, and borrowers whose loans are in an initial or post-deferment grace period.

Reference:
- 34 CFR 674.2(b)

- For all NDSLs made on or after October 1, 1980 and before July 1, 1993, a borrower is also entitled to a six-month post-deferment grace period after each of the deferments that apply to those loans, except after a hardship deferment. Neither the deferment nor the post-deferment grace period is counted as part of the ten-year repayment period.

In *Field 4*, schools report borrowers making loan payments on schedule as well as the total principal amount outstanding on these loans.

In *Field 5.1*, schools report borrowers in default less than 240 days (for payments due in monthly installments) or 270 days (for payments due in other installments).

Reference:
Student Financial Aid Handbook, Volume 4: Campus-Based Common Provisions
- 34 CFR 674.37

In *Field 5.2*, schools report borrowers in default 240 days or more (for payments due in monthly installments) *or* 270 days or more (for payments due in other installments) up to two years.

In *Field 5.3*, schools report borrowers in default more than two years and up to five years.

In *Field 5.4*, schools report borrowers in default more than five years.

Cohort Default Rate

Several terms must be defined for a school to accurately calculate its Federal Perkins Loan cohort default rate.

A borrower ***enters repayment*** the day after an initial grace period ends or the day the borrower waives the initial grace period. The start date of the repayment period does not change if a deferment or cancellation is granted after the borrower enters repayment.

A loan is ***in default*** if a borrower fails to make a scheduled installment payment on time or fails to comply with other terms of the signed promissory note. For the purpose of calculating a cohort default rate, default is in effect when payment is not made for 240 days for loans repaid in monthly installments and 270 days for other loans. A loan is still considered to be in default if, in order to avoid the default, a borrower's payment is made by an institution, its owner, an agency, a contractor, an employee, or any other entity or individual affiliated with the institution.

A loan is *not in default* if a borrower has:

- made six consecutive voluntary monthly payments,
- brought the loan current,
- paid the loan in full,
- received a retroactive deferment or forbearance, *or*
- had the loan rehabilitated or canceled.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Section D: Institutions with 30 or More Borrowers Who Entered Repayment in the 1999-2000 Award Year for the Cohort Default Rate

Fields 1.1 - 1.3 in Section D should only be completed by schools that have 30 or more borrowers* who entered repayment in the 1999-2000 award year.

Section E: Institutions with Less Than 30 Borrowers Who Entered Repayment in the 1999-2000 Award Year for the Cohort Default Rate

Fields 2.1 - 2.5 in Section E should only be completed by schools that have fewer than 30 borrowers* who entered repayment in the 1999-2000 award year.

***The FISAP asks schools to indicate "Yes" or "No" when asked if they have had fewer than 30 borrowers who entered repayment.**

Part IV: Federal Supplemental Educational Opportunity Grant (FSEOG) Program

A school must complete Part IV if it received Federal Supplemental Educational Opportunity Grant (FSEOG) Program funds for the previous award year. This part summarizes the school's use of FSEOG funds during that year.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Section A: Federal Funds Authorized for FSEOG

A school reports its FSEOG authorization and any changes in *Field 1* of Section A.

Amount of school's original allocation for the previous award year
plus Any supplemental allocation amounts received for the year
minus Any allocation amounts released for the year**
equals Final adjusted FSEOG authorization

****The amount released applies to any amount released to ED before September 30.**

Section B: Federal Funds Available for FSEOG Expenditures

Section B is used to calculate federal funds available for a school's FSEOG expenditures in the previous award year.

	Final adjusted FSEOG authorization
plus	Federal Work-Study (FWS) funds transferred to and spent in FSEOG*
plus	Federal Perkins Loan Federal Capital Contribution (FCC) funds transferred to and spent in FSEOG*
plus	FSEOG funds carried back
plus	Additional FSEOG funds carried back and spent for summer enrollment through June 30 of the reporting year
minus	FSEOG funds carried forward
equals	Federal funds available for FSEOG expenditure

***FWS or Perkins funds transferred to FSEOG are reported in GAPS in the program for which they were authorized. Also, if a school transfers its Perkins funds before depositing them in its Federal Perkins Loan fund, the school does not have to match these transferred funds with its own institutional funds.**

In *Field 2*, a school must enter the amount of FWS funds transferred to FSEOG. This amount must have been spent in FSEOG. Any unspent amount must be returned to FWS. The maximum amount that may be transferred from FWS to FSEOG is 25 percent of the school's original and supplemental FWS allocations for the award year being reported. ***The amount in this field must be the same as the entry in Field 3 of Part V.***

Reference:
Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet

A school must also report in *Field 3* the amount of Federal Perkins Loan FCC transferred to FSEOG. This amount must have been spent in FSEOG. Any unspent amount must be returned to the Federal Perkins Loan fund. The maximum amount that may be transferred from Federal Perkins Loan FCC to FSEOG is 25 percent of the school's original and supplemental FCC allocations for the award year being reported.

****Fields 4-9 indicate the carry-forward and carry-back provision for FSEOG funds.**

*Fields 4 - 9*** require schools to report the amount of FSEOG funds carried forward and carried back between award years. A school may carry up to 10 percent of its FSEOG funds forward to be spent in the next award year. Similarly, if a school needs additional FSEOG funds during the current award year, it may carry back up to 10 percent of its next award year's FSEOG allocation. Additional FSEOG funds may be carried back and spent as payments to students for summer enrollment between May 1 and June 30 of the previous award year. In Section B of Part V, a school must report any such activity that affected expenditures during the award year for which it is filing the FISAP report.

Field 10 requires schools to report the sum of the *Fields 1 - 9* of Sections A and B.

Section C: Funds to FSEOG Recipients

Fields 11 and *12* in Section C ask for the total amount of FSEOG funds paid to recipients. This amount must consist of the required 75 percent federal and

25 percent nonfederal shares. The nonfederal share reported in this section may not exceed the required 25 percent.

Section D: Federal Funds Spent for FSEOG Program

Fields 13 - 15 in Section D show how a school spent the federal portion of its FSEOG funds. The total amount of the federal portion of FSEOG funds spent is equal to the federal share of FSEOG funds paid to students *plus* the administrative cost allowance (ACA) claimed from federal FSEOG funds.

The 75 percent federal share of FSEOG funds paid to students includes any FWS funds or Federal Perkins Loan FCC transferred to FSEOG and used to make awards to students.

The ACA reported in this section is the amount taken from a school's FSEOG allocation to cover the cost of administering one or more Title IV campus-based programs.

Section E: Use of FSEOG Authorization

Section E shows how much of a school's total federal FSEOG allocation was used and enables the school to calculate the amount of the unexpended federal portion of FSEOG funds.

In *Field 16*, schools report the expended FSEOG authorization. This amount must agree with the school's final FSEOG expenditures reported in GAPS.

FSEOG funds spent (*Fields 7, 8, 9, and 15*)

minus Amount of FWS funds transferred to and spent in FSEOG (*Field 2*)

minus Amount of Federal Perkins Loan FCC transferred to and spent in FSEOG (*Field 3*)

minus Funds carried back and spent (*Field 4*)

minus Additional funds carried back and spent for summer enrollment (*Field 5*)

minus Additional funds carried forward and spent for FSEOG (*Field 6*)

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equals Expended FSEOG authorization

In *Field 17*, schools report on any unexpended FSEOG authorization. A school's unexpended FSEOG authorization is equal to its final adjusted FSEOG authorization amount (*Field 1*) *minus* its total expended FSEOG authorization (*Field 16*). If this amount is a positive dollar figure, the amount of unexpended FSEOG funds will be deducted from the school's GAPS grantee account. If this amount is a negative dollar figure, it is *not* reported on the FISAP; this is an excess FSEOG expenditure for the school and must be charged to institutional funds.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

New

Prior-Year Recoveries

Prior-year recoveries are the federal share of any money students returned to the school for an award year that has been closed out in the campus-based system (awards have been reduced to FISAP expenditure levels). Schools no longer have to report to ED on prior-year recovery of campus-based funds. The prior-year recovery fields have been removed from the FISAP.

Any funds recovered on prior-year awards should be returned to ED using existing GAPS refund procedures. Refunds should be applied to the award corresponding to the funding year the recovered funds were awarded.

Prior-year recoveries generally occur as a result of an incorrect analysis of a student's financial need, an error in disbursing funds, or performing a refund/repayment calculation. Any payments resulting from audit or program review liabilities should not be reported as prior-year recoveries; ED handles reporting in these situations. Moreover, FSEOG authorizations for the award year of the report, FSEOG funds spent from the same authorization, or unexpended FSEOG funds from the same authorization should not be reported as prior-year recoveries.

Part V: Federal Work-Study (FWS) Program

A school must complete Part V of the FISAP if it received Federal Work-Study (FWS) Program funds for the previous award year. This part summarizes the school's use of FWS funds during that year.

Section A: Federal Funds Authorized for FWS

The final adjusted FWS authorization reported in *Field 1* of Section A should equal the amount authorized in a school's original allocation for the previous award year, *plus* any supplemental allocation amounts for the year, *minus* any allocation amounts released* for the year.

***The amount released applies to any funds released to ED before September 30.**

Section B: Federal Funds Available for FWS Expenditures

Section B is used to calculate the amount of federal funds available for a school's FWS expenditures in the previous award year. The total amount of federal funds available is calculated on the basis of the school's final adjusted FWS authorization, the amount of funds transferred between certain campus-based programs, and the amount of FWS funds carried forward and carried back between award years.

In *Field 2*, a school must report the amount of Federal Perkins Loan Federal Capital Contribution (FCC) transferred to FWS. This amount must have been spent in FWS *or* any unspent amount must have been returned to the Federal Perkins Loan fund. The maximum amount that may be transferred from Federal Perkins Loan FCC to FWS is 25 percent of the school's original and supplemental FCC allocations for the previous award year.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

In *Field 3*, a school must enter the amount of FWS funds transferred to FSEOG. This amount must have been spent in FSEOG *or* any unspent amount must have been returned to FWS. The maximum amount that may be transferred from FWS to FSEOG is 25 percent of the school's original and supplemental FWS allocations for the previous award year.

In *Fields 4 - 9*, schools report the amount of FWS funds carried forward and carried back between award years. A school may carry up to 10 percent of its FWS funds forward to be spent in the next award year. Similarly, if a school needs additional FWS funds during an award year, it may carry back up to 10 percent of its next award year's FWS allocation. Additional FWS funds may be carried back and spent as payments to students for wages earned during summer employment between May 1 and June 30 of the previous award year. A school must report any such activity that affected expenditures during the award year for which it is filing the FISAP report.

In *Field 10*, schools report the total funds available from the previous award year. *Field 10* is the sum of *Fields 1 - 9*.

Reference:

- See Section 3.2 of this book for further details about the federal share of FWS.

Section C: Total Compensation for FWS

In *Fields 11a - 11c* and *Field 12* of Section C, a school reports the total amount of earned FWS compensation paid to students during the previous award year. This is the gross amount of wages paid, and it includes taxes and other withholdings. The amount must, at a minimum, consist of 25 percent nonfederal institutional funds, which is also reported in Section C. The nonfederal share includes amounts contributed by the school, as well as amounts contributed by any off-campus employer. If the off-campus employer is a private, for-profit organization, the nonfederal share must consist of at least 50 percent of the earned wages. If the nonfederal share of student compensation was paid in kind (for example, as a tuition waiver or room and board), the in-kind compensation value* must be converted to a cash amount for this reporting.

***Schools have to use the value in cash consistently for all students receiving this type of compensation.**

Section D: Funds Spent from Federal Share of FWS

In *Field 13*, a school reports the federal share of earned compensation paid to all students. This includes the federal share of earned compensation paid to FWS reading tutors for children, mathematics tutors, and tutors in family literacy programs, even though the federal share exceeds the 75 percent rate.

The total federal share of FWS earned compensation is the maximum 75 percent federal share of FWS funds paid to students. The maximum 75 percent federal share applies to on-campus employment and to off-campus employment at public or private, nonprofit agencies.

The federal share amount may be 100 percent if a school has an approved waiver of its institutional share as an eligible Title III institution; it may be as high as 100 percent for FWS students who worked in a family literacy program or as reading tutors or mathematics tutors.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Wages paid for for-profit, off-campus employment may contain a maximum 50 percent federal share; an institutional share waiver may not apply to these wages.

The ACA reported in *Field 14* of Section D is the amount a school takes from its FWS allocation to cover the cost of administering one or more Title IV campus-based programs.

In *Field 15*, schools report the federal share of Job Location and Development (JLD) Program expenditures, which must be whichever is less: $50,000 *or* 10 percent of a school's original and supplemental FWS allocations.

In *Field 16*, schools report the total federal funds spent for FWS. *Field 16* is the sum of *Fields 13 - 15*.

Section E: Use of FWS Authorization

Section E shows how much of a school's total federal FWS allocation was used and enables the school to calculate the amount of unexpended federal FWS funds.

In *Field 17*, schools report expended federal FWS authorization. A school's expended federal FWS authorization must agree with the final FWS expenditure amount reported in GAPS. This amount may not exceed a school's final adjusted FWS authorization, as reported in Section A of Part V.

In *Field 18*, schools report unexpended FWS authorization. A school's unexpended FWS authorization is equal to its final adjusted FWS authorization amount (*Field 1*) *minus* its total expended FWS authorization (*Field 17*). If this amount is a positive dollar figure, the amount of unexpended FWS funds will be deducted from the school's GAPS grantee account. If this amount is a negative dollar figure, it is *not* reported on the FISAP. The negative dollar figure represents an excess FWS expenditure by the school and must be charged to the institutional share of earned compensation.

Section F: Information About the Job Location and Development (JLD) Program

Schools that participate in the Job Location and Development (JLD) Program must use *Fields 19 - 22* of Section F to report JLD expenditures. If a school used any federal funds to operate a JLD Program, its institutional expenditures for JLD must be at least 20 percent of its total JLD expenditures.

Schools must also use this section to report the number of students for whom jobs were located or developed through the JLD Program.

Section G: Information About FWS Community-Service Activities

Fields 23 - 25 of Section G are used to determine if a school has met the minimum 7 percent community-service expenditure requirement.

Section H: Information About FWS Reading Tutors of Children and Tutors in Family Literacy Programs

***Section H has been adjusted to collect combined information on FWS reading tutors for children and tutors in family literacy programs. For further information, refer to DPL CB-01-02.**

Fields 26 - 28 of Section H are used to report the following information for reading tutors for children and tutors in family literacy programs*:

- the number of students employed,
- federal share of earned compensation, *and*
- total earned compensation.

The information reported in this section can also be part of the information reported in Section G if the reading tutoring for children services were open and accessible to the community.

Reference:

- *Fiscal Operations Report and Application to Participate (FISAP) Instructions Booklet*

Section I: Information about FWS Mathematics Tutors of Children

In *Fields 29 - 31* of Section I, schools must report:

- the number of students employed as FWS mathematics tutors for children,
- the federal share of earned compensation for those tutors, *and*
- the total earned compensation for those tutors (federal share *plus* nonfederal share).

Part VI: Program Summary

Part VI contains two sections. Section A is used to identify a school's campus-based aid recipients by type of student and by income. Section B is used to calculate a school's administrative cost allowance (ACA).

Section A: Distribution of Program Recipients and Expenditures by Type of Student

If a school participated in one or more Title IV campus-based programs during the previous award year that ended June 30, it must complete Section A. The school will need data from Parts III, IV, and V of the FISAP, as well as from its own institutional records, to complete this section.

In *Fields 1 - 15* of Section A, a school reports the distribution of its campus-based aid recipients by type of student (undergraduate dependent, undergraduate independent, and graduate/professional). Within each "type," recipients are further broken down and reported on the basis of income level.

In this section, income is determined in the same manner as in Part II, Section F. This is the total of a student's and parents' or student's and spouse's taxable and nontaxable income used to calculate the student's Expected Family Contribution (EFC).

Students reported in Section A are both full-time and part-time students.

If a student falls into more than one category (undergraduate, graduate, dependent, independent), the student should be reported in the category in which the student was enrolled during the final term of the previous academic year or during the final month of the training program for institutions with a nontraditional calendar.

The unduplicated recipients column, Column G, is an unduplicated count of students in each income category.

In *Field 16,* the amount of funds reported is the total amount awarded and spent under each campus-based program and consists of both the federal and nonfederal shares.

In *Field 17*, schools must report the total number of less-than-full-time students.

In *Field 18*, schools must report the total number of automatic zero EFC students.

Section B: Calculating the Administrative Cost Allowance (ACA)

If a school claims an ACA for the previous award year, it must complete this section. In *Fields 1 - 23*, the school calculates its ACA and reports the amount of ACA claimed by the school. The ACA worksheet is provided for calculation purposes only; it should be retained in the school's files for audit and program review purposes and should not be returned to ED.

The amount of ACA a school may claim is calculated on the basis of the school's total campus-based program expenditures, as reported in Parts III, IV, and V of the FISAP. Schools may claim varying percentages of their expenditures as ACA, according to the total amount of their program expenditures.

ACA may be charged against:

- cash on hand in a school's Federal Perkins Loan fund, if the school made Federal Perkins Loans to students during the award year;
- a school's FSEOG allocation, if the school disbursed FSEOG awards to students during the award year; *and/or*

- a school's FWS allocation, if the school paid FWS wages to students during the award year.

The total of all ACA for all programs may be charged to one campus-based program or any combination of the programs the school chooses. However, for the Federal Perkins Loan Program or FWS Program, a school may not charge ACA against program funds if the school's only expenditure from that program was to transfer funds to another campus-based program.

6.6 Adjusting Expenditures Reported to GAPS

Reference:

- GAPS *Payee Guide – August 2000*

Schools may make adjustments to reported expenditures on open or **closed awards** in GAPS. Such adjustments may occur as a result of a school:

- returning Title IV funds to a program account when a student has withdrawn from school;
- recovering funds directly from students (an overpayment to an eligible student or a payment to an ineligible student); *and*
- making a disbursement to a student who was underpaid in a previous payment period.

Adjustments resulting from audit or program review liabilities will be discussed later.

Open Awards (Current-Year and Prior-Year Adjustments)

If an award is open and is listed in GAPS, a school may make upward or downward adjustments by reporting the correct cumulative disbursements in GAPS for the reporting period in which the adjustment is made. If the adjustment is a recovery, the school repays funds (makes a downward adjustment) from its current year program account(s). If the adjustment is an expenditure, the school draws additional funds (makes an upward adjustment) from its current year program account(s).

An ED grant or program office may also initiate an adjustment to a school's reported disbursements on **open awards**. If a grant or program office reduces a school's award authorization amount to an amount less than the school's reported disbursement amount, the disbursement amount will be reduced to the revised authorization amount. The reduction will appear as a prior-period adjustment on the school's GAPS account.

For the Federal Pell Grant Program, adjustments made by September 30 of the calendar year in which the award year ends are considered to be current-year adjustments.* Such adjustments will affect the school's Federal Pell Grant authorization, reported on its Electronic Statement of Account (ESOA).

***DPL P-00-02 covers the Pell Grant adjustment procedures for the 1999-2000 award year after an October 2, 2000 submission deadline.**

This adjusted authorization will, in turn, be reflected on the school's GAPS account.

Closed Awards (Canceled-Year Adjustments)

If an award is closed (no longer listed in GAPS), and a school needs to *increase* the amount of reported disbursements, the school must contact the grant or program office that issued the award and request an increase to the reported disbursement. If the grant or program office approves the increase, the award will be reinstated and the net amount of the increased disbursement amount will be posted to the school's GAPS account. This action will appear as a prior-period adjustment and will reduce the school's cash-on-hand (COH) amount, if applicable.

If an award is closed and a school needs to *reduce* the amount of reported disbursements, the school must contact the grant or program office that issued the award and request a decrease to the reported disbursement. If the grant or program office approves the reduction, the net amount of the reduction will be posted to the school's GAPS account. This action will appear as a prior-period adjustment and will increase the school's COH amount, if applicable.

For the Federal Pell Grant Program, decrease adjustments are both canceled and closed for any award year that is more than five years old.

Once a debt to the Federal Pell Grant Program is established by a program review or audit, a school may not adjust its Federal Pell Grant expenditures in GAPS. ED deals directly with adjustments that must be made on the basis of a program review, audit, or court order.

Reference:
- DCL P-98-3

Adjustments made as a result of overpayments to students must be reported directly to RFMS.

There may be isolated examples when the program office or an audit requires a school to make adjustments on closed awards from ED's previous payment system, the Payment Management System (known as ED/PMS). These adjustments occur when GAPS decreased the award, but the school has unreported expenditures. The school would make the adjustment through the applicable ED program office.

6.7 Audits and Program Reviews

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668 Subparts G and H

Case management teams in ED's Case Management and Oversight division oversee schools within their assigned areas, monitoring institutional Title IV compliance. Two of the tools available to the case teams are audits and program reviews, which help ensure schools participating in Title IV programs follow correct procedures to award, disburse, and account for federal funds. These methods are also used to monitor schools' compliance with applicable laws and regulations, identify procedural problems, and recommend solutions.

Federal Audits

A federal audit is initiated by ED and conducted by ED's Office of Inspector General (OIG). A federal audit does not satisfy the requirement that a school must have an annual nonfederal audit.

Nonfederal Audits

Regulations require most schools participating in any federal student financial aid program must have an independent auditor conduct annually both a **compliance audit** and a financial audit. (Proprietary schools that receive less than $200,000 in Title IV funds and provide ED with a letter of credit equal to at least 10 percent of the school's Title IV funds disbursed during the previous year, as determined by ED, may be allowed to be audited every three years instead of annually.) Third-party servicers also must have compliance audits. In addition, third-party servicers must have financial audits if they enter into a contract with a lender or guaranty agency to administer any aspect of the lender's or agency's programs.

Reference:
- 34 CFR 668.23(a)(2) (c)(1)(2)(d)(1)-(5)

- An *independent auditor* is a certified public accountant or a government auditor who must meet the Government Auditing Standards qualifications and independence standards, including standards relating to organizational independence.
- A *compliance audit* assesses how well a school follows federal requirements for administering federal student aid programs and must be conducted according to regulations and government auditing standards.
- A *financial audit* assesses a school's financial statements. The financial statements must be prepared on an accrual basis according to generally accepted accounting principles (GAAP) and audited by an independent auditor according to generally accepted government auditing standards (GAGAS) and other applicable guidance contained in ED regulations and/or **Office of Management and Budget (OMB)** regulations.

Reference:
- 34 CFR 668.23(a)(1)
- 34 CFR 668.23(b)(2)

Reference:
- 34 CFR 668.23(d)(1)

Reference:
- Information on GAGAS is at: www.gao.gov/govaud

Audits of for-profit institutions and foreign institutions are to be conducted in accordance with the SFA **Audit Guide**. Audits of governmental and nonprofit institutions are to be conducted in accordance with OMB Circular A-133 using the OMB Compliance Supplement (**A-133 Audit**).

Audit Deadlines

The compliance audit and audited financial statement must be submitted together as a single-audit reporting package. The deadline for a school or third-party servicer to submit its audit reporting package is no later than six months after the last day of the school's fiscal year, except as provided by the **Single Audit Act**.

Public and nonprofit schools subject to the Single Audit Act (Public Law 104-106) are governed by the deadlines specified in OMB Circular A-133. Audit reports under the Single Audit Act are due no later than nine months from the end of the fiscal year.

Failure to submit the audit reporting package by the deadline and in the manner specified may result in ED limiting, suspending, or terminating a school's participation in Title IV programs.*

***A school that disburses less than $200,000 in Title IV funds each award year may be eligible for a waiver of the annual audit submission requirements. Refer to DPL GEN-00-08.**

Method and Type of Audit

The method and the type of audit depends on who controls the school:

- *For-profit institutions* must have both a financial audit and a compliance audit. The compliance audit is to be conducted according to ED's *Audit Guide of Federal Student Financial Assistance Programs at Participating Institutions* (referred to as the SFA *Audit Guide* or simply the *Audit Guide*).** These institutions must also have a basic GAAP financial statement audit. The financial statement must be prepared in accordance with GAAP and must be performed according to generally accepted auditing standards and government auditing standards (GAGAS).

- *Public and nonprofit institutions* are audited under the Single Audit Act. The Single Audit Act requirements were implemented through OMB Circular A-133, "Audits of States, Local Governments, and Other Nonprofit Organizations." Entities subject to OMB Circular A-133 that expend less than $300,000 in federal awards are exempt from audit requirements contained in the SFA Audit Guide, but must still provide some form of financial statement.

Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- *Audit Guide, Jan. 2000*
- *DPL GEN-00-05*

****The Audit Guide, January 2000 is available on the Internet at: http://www.ed.gov/offices/OIG/nonfed/sfa.htm**

An audit must be performed by an independent auditor following generally accepted auditing standards and the standards set forth in the *Government Auditing Standards* promulgated by the U.S. Government Accounting Office (GAO). The auditor or auditing firm used for a compliance audit may be the same one used to audit a school's other fiscal activities. The auditor or firm must, however, be independent of any auditor or firm authorizing a school's expenditure of Title IV program funds. An audit conducted by a state auditor who meets the criteria for independence satisfies the nonfederal compliance-audit requirement.

Reference:

- 34 CFR 668.23(a)(1)

A school must make all program, fiscal, and student records available to an auditor. Both the school's financial aid administrator and fiscal officer should be aware of the dates the auditor will be at the school. Representatives from the business office and financial aid office should be on hand during this period to provide documents and answer questions.

Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

At the end of the on-site review, the auditor holds an exit interview. During the exit interview, the auditor may suggest improvements in procedures, as well as give the school or servicer a chance to discuss the draft report and review any discrepancies cited in the report. The exit interview is a good time to resolve any disagreements or present any corrective action plan before the final audit report is prepared.

The final audit report is prepared by the auditor and submitted to the school.

Schools send A-133 audits, whether for nonprofit schools or for public schools under the Single Audit Act, to:

By regular mail:

Federal Audit Clearinghouse
Bureau of the Census
P. O. Box 5000
Jeffersonville, IN 47199-5000

By overnight mail:

Federal Audit Clearinghouse
Bureau of the Census
1201 East 10th Street
Jeffersonville, IN 47132-5000

Reference:
- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

Schools send audits conducted using ED's *Audit Guide* to:

By regular mail:

U.S. Department of Education
Case Management and Oversight
Data Management and Analysis Division
Document Receipt and Control Center
P. O. Box 44805
L'Enfant Plaza Station
Washington, DC 20026-4805

By overnight mail:

U.S. Department of Education
Office of Student Financial Assistance Programs
Data Management and Analysis Division
Document Receipt and Control Center
7th and D Streets, SW
GSA Building, Room 5643
Washington, DC 20407

Corrective Action Plans (CAPs)

In an SFA Audit Guide audit, if there are audit findings, a school must prepare a **corrective action plan (CAP)** that addresses the findings in the audit report. Schools must submit the CAP with their audit reports to the same just-listed addresses. In addition, the school must comment on the status of corrective action taken on prior findings.

It is ED's responsibility, not the auditor's or audit firm's, to determine what action will be taken as a result of an audit report.

ED officials review the audit report and the school's CAP to determine what action, if any, is necessary. ED may:

- agree with the auditor's findings,
- modify the auditor's recommendations, *or*
- request additional information from the school.

A school is required to cooperate fully during ED's examination of its audit report. The school must give ED and/or OIG access to any records or other documents needed to review the audit report. In addition, the school's contract with its auditor must specify the auditor will also give ED and/or OIG access to records and documents related to the audit, including work papers. Access includes the right to:

- copy records (including computer records),
- examine computer programs and data, *and*
- interview employees without the presence of school officials and without the school's use of a tape recorder.

Reference:

- 34 CFR 668.75(c)(1)(2)
- 34 CFR 668, Subparts F and G

ED notifies the school, in writing, of its final determinations. As a result of ED's examination of a school's audit, the school may be required to:

- revise its administrative procedures;
- provide or reconstruct documentation to establish that expenditures were properly awarded and disbursed;
- implement corrective actions to prevent further improper expenditures of federal funds;
- repay improperly expended federal funds; *or*
- pay fines or interest or both.

If ED determines Title IV program funds were expended improperly, the school must repay the funds within 45 days, unless the school has formally appealed the decision.

In addition, if ED determines Title IV program funds were expended improperly, ED may:

- take emergency action to withhold the school's Title IV funds;
- fine the school up to $25,000 for each statutory or regulatory violation; *or*
- limit, suspend, or terminate the school's eligibility to participate in Title IV programs.

Such actions may be taken by ED if:

- the school is unable or unwilling to provide access to its records;
- there is sufficient evidence federal funds were intentionally misused or fraudulently expended;
- ED has evidence indicating the school is incapable of administering Title IV programs; *or*
- the school is unable or unwilling to repay improperly expended federal funds.

Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.23(c)(1)-(4)

Audits for Foreign Schools

Foreign schools must also submit annual compliance and financial audits. Because financial responsibility requirements vary for foreign schools based on the amount of federal student financial aid funds a school receives, the requirements for preparing the financial statement also vary. Foreign schools must follow the SFA Audit Guide in obtaining financial statements and compliance audits.

- A school that received less than $500,000 (in U.S. dollars) in Title IV funds during its most recently completed fiscal year must have its financial audit prepared according to the standards of the school's home country.
- A school that received $500,000 (in U.S. dollars) or more in Title IV funds during its most recently completed fiscal year may have its financial audit translated and presented for analysis under GAAP and GAGAS.

Audits for Third-Party Servicers

A third-party servicer must submit an annual compliance audit. If a third-party servicer contracts with several schools, a single compliance audit can be performed that covers all its administrative services for each school.
A third-party servicer must submit its compliance audit within six months after the last day of the third-party servicer's fiscal year. ED may require a servicer to provide a copy of its compliance audit report to guaranty agencies, lenders, state agencies, the U.S. Department of Veterans Affairs, and/or accrediting agencies.

Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*

A third-party servicer is not required to submit a separate annual compliance audit if:

- it contracts with only one school *and*
- the school's audit covers every aspect of the servicer's administration of that school's programs.

A school may never use a third-party servicer's audit in place of its own required audit. The school is ultimately liable for its own violations as well as any incurred by its third-party servicers.

In addition to submitting a compliance audit, a third-party servicer must, on an annual basis, submit an audited financial statement when it enters into a contract with a lender or guaranty agency to administer any aspect of the lender's or guaranty agency's programs. This financial statement must be prepared on an accrual basis according to GAAP, audited by an independent auditor according to GAGAS, and follow any other guidance contained in audit guides issued by ED.

Program Reviews

Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- HEA, Section 498A

In addition to reviewing schools' compliance-audit reports, ED may conduct its own program reviews. One purpose of a program review is similar to that of a compliance audit—to evaluate a school's management of Title IV programs and to ensure compliance with laws and regulations.

For program reviews, ED must:

- establish uniform guidelines,
- make guidelines and procedures available,
- permit institutions to cure errors if there is no evidence of fraud or misconduct,
- base penalties on the gravity of the violation, *and*
- inform state and accrediting agencies of any action taken against an institution.

In selecting schools for review, ED gives priority to schools with:

- a Federal Family Education Loan (FFEL) Program cohort default rate greater than 25 percent,
- a significant fluctuation in FFEL Program, Direct Loan Program, or Federal Pell Grant Program volume, *or*
- problems reported by an accrediting agency or a state agency.

Reference:

- http://ifap.ed.gov

Schools are typically notified of an upcoming program review in advance, but ED reserves the right to conduct an unannounced program review. Federal regulations stipulate that ED officials provide a school with a written request for a program review, but regulations do not preclude ED from providing the written request at the same time reviewers arrive at the school.

*Family Education Rights and Privacy Act (FERPA) regulations do not apply in these cases.

School personnel must cooperate fully with ED officials before, during, and afte a program review. Whether the program review is announced or unannounced, a school is expected to have its records organized and readily available for reviewers, and the school must provide access to its records.* Because certain school officials might not be immediately available during an unannounced program review, a school may be allowed additional time to submit requested information/responses to review findings.

Focus of Program Reviews

A program review covers many of the same areas as an audit, including fiscal operations and accounting procedures, as well as a school's compliance with specific Title IV program requirements for student eligibility and awards. Program reviews, however, tend to focus more on regulatory requirements specific to Title IV programs, such as:

- student eligibility records and admission records,
- fund requests and transfers,
- records pertaining to due diligence and collecting Federal Perkins Loans,
- time sheets and pay rates for the Federal Work-Study (FWS) Program, *and*
- documents supporting a school's Federal Pell Grant and campus-based program reporting.

The program review team prepares a written report and sends it to a school within 30 to 60 days of the review. The school is expected to respond to the report to provide additional information or if it disagrees with any of the report's conclusions. When ED has fully considered and evaluated the school's response (if any), ED sends a final program review determination (FPRD) letter to the school.

Like an audit, a program review may result in noncompliance findings or in monetary liabilities for a school.

Some common reasons for noncompliance findings include:

- unmet consumer-information requirements,
- excessive student drop-out or withdrawal rates,
- undocumented entrance and exit loan counseling interviews,
- inadequate notification to FFEL Program borrowers about refunds made to lenders,
- excessive Federal Perkins Loan Program cohort default rates, *and*
- improperly maintained satisfactory academic progress records.

Some common reasons for monetary liabilities include:

- incomplete or undocumented verification procedures,
- inadequately established or monitored satisfactory academic progress standards,
- late refunds or unmade refunds,
- excess cash on hand from Title IV programs,
- inconsistent information in student files,
- inadequately maintained accounting records,
- improperly constructed student budgets,
- ineligible programs or locations,
- an undocumented FISAP income grid,
- failure to exercise due diligence in collecting Federal Perkins Loans,
- records not being maintained as required, *and*
- audit reports not being submitted.

As a result of program-review findings and/or audit findings, ED may take emergency action against a school; fine a school for statutory and regulatory violations; or limit, suspend, or terminate a school's participation in Title IV programs. A school may appeal program-review findings and audit findings.

Reference:

- 34 CFR 668 Subparts G and H

6.8 Repayment of Liabilities from an Audit or Program Review

An audit or program review may result in liabilities under any of the Title IV programs for a current award year or for prior award years. Such liabilities are reported to a school by ED in **a final program review determination (FPRD)** letter or a **final audit determination letter (FADL).** If the FPRD or FADL states that the school owes funds to ED, it will give specific steps the school must take to reimburse ED for improperly spent funds. The institution should carefully follow the instructions in the FPRD or FADL for reimbursing these funds.

Reference:

- *Student Financial Aid Handbook, Volume 2: Institutional Eligibility*
- 34 CFR 668.23(g)

If a school owes payments to ED, a copy of its FPRD or FADL is also sent to the Receivables and Cash Receipt Team (RCRT) in ED's **Financial Services (FS)**, where an account receivable is established for the school. A school is also

Reference:
- GAPS *Payee Guide – August 2000*

billed for the disallowed amount of funds, accrued interest, and penalties through ED's billing agent. Payment instructions are included with the bill.

If a school owes ED $100,000 or more, it must remit payment through its financial institution by FEDWIRE. If a school owes ED less than $100,000, it must remit payment by check to ED's billing agent.

A school may not reduce amounts reported as expended in GAPS to account for expenditures disallowed as a result of an audit or program review. Any Title IV funds returned for this purpose will not be credited to a school's GAPS account and will not reduce the school's cash-on-hand amount in GAPS. Unless otherwise directed by the FPRD or FADL, a school may not attempt to adjust its prior-year FISAPs or Federal Pell Grant processed payment information to reflect expenditures disallowed as a result of an audit or program review, nor may it make repayments directly to any Federal Family Education Loan (FFEL) Program lender or to the Direct Loan Servicing Center (DLSC).

If a school does not return funds owed ED as a result of an audit or program review, any of the following penalties may occur:

- The school may be assessed penalty and administrative charges, as well as accrued interest on any unpaid balance.
- The school may be referred to a commercial collection agency and charged the agency's collection costs.
- The school may be referred to the U.S. Department of Justice for collection and legal action.
- The school may be referred to other government agencies from which it receives funds for administrative offsets.
- The school may be reported to credit bureaus.

6.9 Guaranty Agency Reviews

Guaranty agencies are required to conduct program reviews at postsecondary schools that participate in the FFEL Program. A guaranty agency must conduct biennial (once every two years) on-site reviews at the ten schools with the highest loan volume through that agency, as well as at any school whose loan volume is two percent or more of the guaranty agency's total loan volume. A guaranty agency is also required to conduct biennial program reviews of schools in its state that have a default rate of more than 40 percent, as well as any schools with a default rate of more than 20 percent if ED notifies the agency the school does not have a default-reduction plan. A program review conducted by a guaranty agency is similar to ED's program review.

However, the guaranty agency's review focuses on how the school meets FFEL-specific requirements, such as:

- certifying loan applications,
- maintaining records supporting a student's loan eligibility,
- processing procedures and paying loan monies, *and*
- informing lenders when a student changes enrollment status.

Two copies of the guaranty agency's report are forwarded to ED, as is the school's payment if liabilities were assessed.

Appendix A

GLOSSARY

Academic Achievement Incentive Scholarship Program	The purpose of this gift-aid program is to help financially needy students who have demonstrated their academic abilities. The scholarships are for students who are eligible for Federal Pell Grants and graduate after May 1, 2000 in the top 10 percent of their high school graduating class. An Academic Achievement Incentive Scholarship equals up to the amount the student is eligible for in Federal Pell Grant, which can result in doubling the student's grant amount. This program is unfunded for the 2000-01 award year.
academic year	A time period of at least 30 instructional weeks in which a full-time undergraduate student is expected to complete: ♦ For an educational program whose length is measured in credit hours: 24 semester hours, 24 trimester hours, or 36 quarter hours. ♦ For an educational program whose length is measured in clock hours: at least 900 clock hours. However, there is an exception for those schools with at least a two-year program that awards an associate degree, or a four-year academic program that awards a bachelor's degree. Those schools may request, in writing, that ED reduce the minimum period of instructional time of the academic year for any of its programs as long as they are at least 26 weeks in length.
accepted with corrections	A category of Federal Pell Grant processed payment data found to be inaccurate but for which the Recipient Financial Management System (RFMS) made certain corrections during processing. A school must review the records carefully and resubmit them if RFMS's corrections are inaccurate.
Access America for Students	Access America for Students provides electronic Web-based access for participating students to government services.
accounting for restricted funds for limited purposes	A restricted fund made up of a self-balancing group of accounts: assets, liabilities, capital (fund balance), revenues, and expenses. It is important to note that individual funds are separated completely from one another and from the general fund of the institution and are self-balancing. That is, the debit balances of the debit accounts within the fund equal the credit balances of the credit accounts within the fund. This ensures the integrity of individual funds and provides control over fund expenditures. "Restricted" means that the use of the funds has been restricted to some specific activity by donors and/or other external parties.

accounting period	A time period for which financial records are maintained and at the end of which financial statements are prepared. See *Financial statement.*
accrual basis	The type of accounting under which incomes are recorded when earned (regardless of when cash is actually received) and expenses are recorded when liabilities are incurred (regardless of when cash is actually expended).
accrued salaries	Wages earned between the last pay date and the end of the accounting period being reported, but not yet paid to the appropriate students. The unpaid student wages are considered a school liability.
ACH and ACH/EFT	See *Automated clearinghouse (ACH).*
adjusting entry	A journal entry made for purposes of correcting an error (such as a transfer of funds between accounts) or recording an accrual (such as earned, but unpaid, student payroll at the end of an accounting period).
administrative capability	A school must show that it has the administrative capability and the financial responsibility to participate in federal Title IV student aid programs. Administrative capability covers specific areas in the management of an institution. These areas include: ◆ establishing and maintaining student records and financial records, ◆ submitting ED-required reports, ◆ designating a capable Title IV financial aid administrator at an institution, ◆ writing procedures for school offices involved with Title IV programs, ◆ communicating to the financial aid administrator all information received by any school office that might affect a student's Title IV aid eligibility, ◆ dividing the functions of authorizing payments for Title IV funds and disbursing Title IV funds, *and* ◆ employing an adequate number of qualified staff. For further information, refer to 34 CFR 668.16 or Chapter 2 of *The Blue Book.* See also *Financial responsibility.*
administrative cost allowance (ACA)	A dollar figure the federal government allots an institution to offset the cost of administering the Federal Pell Grant Program and campus-based programs.
administrative offset	An offset assessed by ED against a Title IV participating school to collect program review, audit, and formal fine debts. ED withholds a portion of a school's Grant Administration and Payment System (GAPS) authorized payments and applies them toward the school's debt.

advance payment method	Under this payment method, a school may submit a request for funds to ED before disbursing aid to eligible students. If the request is approved, ED will make an electronic funds transfer of the requested amount to the school's bank account.
agency funds	The conduit or clearinghouse funds established to account for assets (usually cash) received for, and paid to, other funds, individuals, or organizations. Externally designated scholarship funds are an example of agency funds. Because assets received this way are held briefly and are to be disposed of at the direction of others, only asset and liability accounts are needed.
allocation	A specific sum of money awarded for an institution to use during a specific period. Campus-based funds (Federal Supplemental Educational Opportunity Grant [FSEOG], Federal Work-Study [FWS], and Federal Perkins Loan) are allocated to a school on an award-year basis. An allocation may also be referred to as obligation, award authorization, grant authorization, or Document Number. See *Releasing campus-based program funds* and *Supplemental appropriation.*
allowable charges	Educational expenses that a student incurs for which a school may credit a student's account with Title IV funds. These charges may be credited to a student's school account and paid using Title IV funds. These charges may include current charges for tuition and fees and room and board (if the student contracts with the school for these services). Other current charges that a student incurs for educationally related activities may be considered allowable charges if the school obtains the student's authorization (or parent's authorization for PLUS Loan funds) to have such charges paid with Title IV funds. Allowable charges may also include certain minor charges for the previous award year. See *Current charges.*
AmeriCorps	A program of national and community service that provides education awards of up to $4,725 a year. Individuals may work before, during, or after their postsecondary education and can use their awards either to pay current educational expenses or future educational expenses, or to repay federal student loans.
appropriation	At the federal level, a congressional legislative act allocating a specific amount of public funds to be spent for a specific purpose during a fiscal year or award year. The dollar amount appropriated may be equal to or less than (but not more than) the total amount permissible under the authorizing statute. An appropriation bill originates in the U.S. House of Representatives. General appropriation acts are supposed to be approved by both houses of Congress by the seventh day after Labor Day before the start of the fiscal year to which they apply. Continuing resolutions allocate funds for expenditures when the appropriations bill for the new fiscal year has not been enacted. See *Continuing resolution* and *Supplemental appropriation.*

assets	Owned property that must be reported on a student's financial aid application. These are financial holdings such as cash on hand in checking and savings accounts, trusts, stocks, bonds, other securities, loan receivables, real estate (excluding the family's primary home), business equipment, and business inventory.
assignment	A school's transfer of a defaulted National Defense Student Loan, National Direct Student Loan (NDSL), or Federal Perkins Loan to ED for collection. Once ED accepts a loan, it acquires all rights, title, and interest on the assigned loan. In certain cases, guaranty agencies also assign defaulted FFEL Program loans to ED.
audit	An independent examination of a school's financial transactions, accounts, reports, and compliance with applicable laws and regulations to determine whether the school is: ♦ maintaining effective control over revenues, expenditures, assets, and liabilities; ♦ properly accounting for resources, liabilities, and operations; ♦ producing financial reports that contain accurate, reliable, and useful financial information and that are accurately presented; *and* ♦ complying with applicable laws, regulations, and ED directives. Under ED regulations, governmental and nonprofit postsecondary institutions must have an audit performed pursuant to the requirements of OMB Circular A-133. A-133 audits are combined financial and compliance audits. For-profit postsecondary institutions are permitted to obtain separate or combined financial and compliance audits, performed in accordance with the audit guide issued by the U.S. Department of Education, Office of Inspector General. See *Independent audit.*
audit exceptions	Actions identified through an audit that are not in compliance with federal guidelines. These are often referred to as "Audit Findings."
Audit Guide	A manual to be used by independent auditors performing audits of Title IV student financial aid program funds at institutions.
audit report	A report prepared by an auditor after a federal audit is performed. In a nonfederal audit, this report is prepared by an auditor or audit firm according to the guidelines provided in the *Audit Guide* or according to OMB Circular A-133. See *Federal audit.*
audit trail	A systemic feature that provides for a clear, easy-to-follow path from summary reports and ledgers back to lower-level summary information and primary documentation of individual transactions.

authorization (legislative)	At the federal level, a congressional legislative act that establishes a program, specifies its general purpose and conduct, and unless open-ended, sets a ceiling for the dollar amount that can be used to finance it. An authorization must be enacted before dollar amounts can be appropriated for program spending.
authorization (spending)	The approved expenditure level for a federal aid program for an award year. Each award year, ED notifies each participating institution of its authorized levels of expenditures for the Federal Pell Grant Program and the campus-based programs in which it participates. See *Final funding authorization.*
automated clearinghouse (ACH)	A nationwide, electronic financial network providing a paperless, efficient means of making payments by electronically transmitting debits and credits through the Federal Reserve Communications System. It takes approximately three business days for funds to reach a school's bank account. ACH payments offer a wide range of applications, including direct deposit and preauthorized debits. Also referred to as Automated Clearinghouse/Electronic Funds Transfer (ACH/EFT). See *Automated voice response (AVR)* and *Operator-assisted mode.*
automated FEDWIRE system	A process of electronically transferring funds with same-day deposit for requests made before 2 p.m., Eastern Time (ET) and next-day deposit for requests made after 2 p.m. ET. See *FEDWIRE.*
automated suspension of funds	The automated decrease of an allocation (authorization amount) listed in the Grant Administration and Payment System (GAPS). This decrease occurs when an inactive award (allocation) is closed. As a result, the school must adjust its own expenditure records for that allocation to the appropriate disbursement amount.
automated voice response (AVR)	An option for placing requests for automated clearinghouse (ACH) payments through a service bureau. This request is made using a touch-tone telephone. It represents one of two payment-request modes available to schools. Compare *Operator-assisted mode.*
award	As a noun, a specific amount of financial assistance to pay for education costs offered to a student through one or more financial aid programs. As a verb, approving financial assistance to students. One function of an institution is to award campus-based financial aid to students who meet all the eligibility criteria.
award adjustment or revision	An action by a financial aid office resulting in an increase, a decrease, a program-source substitution, or a cancellation of a student's financial aid award. This may be necessitated by factors such as a change in the student's enrollment status or a change in the financial circumstances of the student's family or the student.
award packaging	See *Packaging.*

award period	This refers to the period of time the payee can request funds from GAPS. The length of the award period varies by program and authorizing statute. There are four periods in an award period: performance period, liquidation period, suspension period, and closeout period.
award year	The time period from July 1 of one year through June 30 of the following year for which financial aid awards are made. The award year differs from the federal fiscal year (October 1 through September 30). However, FFEL and Direct Loan funds are not tied to an award year.
base guarantee	An allocation determined by the allocation a school received for a previous award year; usually (but not always) the base guarantee is the amount received in the year directly previous.
batch	A group of records assembled in a single file that is then transmitted electronically as one unit to ED for processing. Each batch contains a header record and a trailer record with information about the records in the batch, including the number of records and the school ID number.
billing service	A private-sector business organization ("third-party servicer") that services loan accounts (billing and/or receiving) for lenders and schools. A fee is charged for the service.
bookkeeping	Analyzing, classifying, and recording financial transactions according to a preconceived plan to provide a means by which an organization's business may be conducted in an orderly fashion and to establish a basis for reporting the financial condition of an organization and the results of its operation. The two methods of bookkeeping are single entry and double entry. See *Double-entry bookkeeping* and *Single-entry bookkeeping.*
business office	The school office responsible for an institution's financial accounting, including Title IV aid program accounting. The office disburses financial aid award payments to students and processes loan checks. It is sometimes referred to as the fiscal office, finance office, comptroller's office, bursar's office, treasurer's office, or student accounts office. See *Separation of functions.*
Robert C. Byrd Honors Scholarship	A Title IV financial aid program that makes scholarships available to full-time postsecondary students with exceptional academic ability and promise. Students apply for the merit-based scholarships through their state education agencies. The program, created in 1984, was named to honor Senator Robert C. Byrd.
campus	Any building or property owned or controlled by an institution within the same reasonably contiguous geographic area and used by the institution in direct support of, or in a manner related to, the institution's educational purposes, including residence halls. Also, any building or property (within the same reasonably contiguous geographic area) owned by the institution but controlled by another person, and frequently used by students. It also

	supports institutional purposes (such as a food or other retail vendor).
campus-based programs	The term applied to three federal Title IV student aid programs administered on campus by eligible institutions of postsecondary education: ◆ Federal Perkins Loan Program, ◆ Federal Work-Study (FWS) Program, *and* ◆ Federal Supplemental Educational Opportunity Grant (FSEOG) Program. See individual program names.
cancellation (of a loan)	In the Federal Perkins Loan Program, students who are engaged in certain public services such as teaching, service in a Head Start program, service in the Peace Corps or ACTION, or service in the military, and others that are identified by ED, may have their loans canceled. Cancellation is also granted in case of the borrower's death or total and permanent disability, if the school closed before the borrower completed the program, or in some cases, bankruptcy. Students must make application and meet specific requirements set by ED to have all or part of their loan canceled (including interest). In the FFEL and Direct Loan Programs, a loan may be *discharged*, or canceled, if the borrower dies or becomes totally and permanently disabled; if the loan is discharged in bankruptcy; if the school closed before the borrower completed his or her program; or if the school falsely certified or originated the loan. The FFEL and Direct Loan provisions generally use the term "discharge" rather than "cancellation." There is no regulatory distinction between the two terms. See *Discharge (of a loan).*
capitalizing interest	A process in which interest that has accrued but has not been paid is added to the loan principal for both the FFEL and Federal Direct Loan Programs. Capitalization increases the amount of the principal and, consequently, the total amount that must be repaid.
carry forward/ carry back	A special provision of the Federal Work-Study (FWS) Program and the Federal Supplemental Educational Opportunity Grant (FSEOG) Program that allows an institution to transfer up to 10 percent of its annual FWS and FSEOG allocations back to the previous award year or forward to the next award year. In addition, a school may carry back funds from the current award year to pay student wages earned from May 1 through June 30 of the previous award year. See *Federal Work-Study (FWS) Program* and *Federal Supplemental Educational Opportunity Grant (FSEOG) Program.*
Case Management and Oversight Service	A division in ED responsible for institutional audit resolution, program review, financial statement analysis, initial certification, and recertification.

cash advance	A transfer of funds from a federal agency (from an account in the U.S. Treasury through the Federal Reserve Bank) to a school, or institutional funds used in advance of a school receiving Title IV funds.
cash on hand	The amount of funds maintained in a school's bank account equal to the amount of funds to be disbursed to students. Cash on hand is also part of the equation used to calculate projected immediate-cash needs.
cash management	The federal regulations contained in Subpart K of 34 CFR 668. These regulations establish the rules and procedures a school must follow to request, maintain, disburse, and otherwise manage Title IV funds.
cash monitoring payment method	When ED places a school on the cash monitoring payment method, ED provides funds to the school after the school makes disbursements to students and parents. Schools will then be paid using either a form of the advance payment method or reimbursement payment method. Schools receiving funds through advance payment request funds just as other schools under that method, except they must identify to ED the scheduled disbursements to students for whom those funds are requested. See *Advance payment method.* Under reimbursement cash monitoring method, the school must first make disbursements to eligible students and parents before ED provides the funds for the school through GAPS; however, the school must provide different documentation than under the reimbursement payment method. After submitting the appropriate documentation to ED, schools are reimbursed. See *Reimbursement payment method.*
cash pooling	For institutions permitted to do so, depositing federal funds for all Title IV aid programs (except Direct Loans) in a single bank account.
Central Processing System (CPS)	ED's Central Processing System (CPS) analyzes information from Free Applications for Federal Student Aid (FAFSAs) and calculates Expected Family Contributions (EFCs). A series of edits is used to check the consistency of family-supplied and student-supplied information. Eligibility matches are also conducted with the U.S. Social Security Administration, the U.S. Immigration and Naturalization Service, and the U.S. Selective Service. In addition, each student is checked against ED's National Student Loan Data System (NSLDS). See *National Student Loan Data System (NSLDS).*
chart of accounts	A list of financial account numbers and account titles arranged in a systematic way to help institutions identify the accounts in their fiscal management system and ledgers. These accounts form the foundation for the school's Title IV reporting process.

closeout period	The end of the award period. During this time, the award is closed and any remaining disbursements that have been made before the end of the award period are disbursed.
closing	The process of preparing, entering, and posting closing entries. A closing entry is a journal entry in which balances in revenue accounts and expense accounts are eliminated at the end of the accounting period (calendar year or fiscal year). Because revenue accounts and expense accounts provide the information for a statement of operations of a given accounting period, it is essential these accounts have zero balances at the beginning of each new period. Asset, liability, and fund balance accounts are not closed at the end of the accounting period, as their balances carry over to the new period.
***Code of Federal Regulations* (CFR)**	The codification of final regulations published in the *Federal Register*. The CFR is divided into 50 titles that represent broad areas subject to federal regulation. Title 34 (Education) contains the regulations that govern the Title IV programs.
cohort default rate	A school receives a cohort default rate from ED for its participation in the FFEL and/or Direct Loan Program. If a school participates in the Federal Perkins Loan Program, it calculates its own cohort default rate and reports it to ED on the FISAP. In general, both types of cohort default rates reflect the percentage of an institution's current and former students who entered student-loan repayment in a specified year on loans received for attendance at that institution and who defaulted before the end of the following year. For any year in which fewer than 30 students entered repayment, the school's cohort default rate is, in general, the percentage of its students who entered repayment in that year and in the previous two years and who defaulted before the end of the year immediately following the year in which they entered repayment. The two types of cohort default rates are based on different definitions of the term "default," and the rules for calculating and applying the rates are also different. See *Default*.
collection agency	A business organization that receives delinquent or defaulted loan accounts from lenders and attempts to collect on those accounts. A fee is charged for the service.
collection costs	Reasonable costs incurred by using a collection agency or commercial skip-trace agency in an attempt to recover delinquent or defaulted student loan accounts. See *Collection agency* and *Skip tracing*.
community service	A service identified by an institution of higher education, through formal or informal consultation with local nonprofit, governmental, and community-based organizations, that is designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs.
compliance audit	See *Audit* and *Independent audit*.

composite score	A measure of financial responsibility for proprietary and private nonprofit institutions. ED uses the composite score to determine whether institutions demonstrate financial responsibility under the regulations in Subpart L of 34 CFR 668. Institutions provide the information that is used to perform these calculations in their required annual financial statement audits. See *Financial responsibility*.
continuing resolution	At the federal level, a joint congressional agreement between the U.S. House of Representatives and the U.S. Senate to continue appropriations for specific government agencies (at rates generally determined on the basis of previous fiscal-year appropriation levels). This is done when Congress has not yet enacted an appropriation act for those agencies for the current fiscal year. A continuing resolution must pass both houses of Congress and be signed by the President. See *Appropriation*.
contra account	The other side of an account. When used in T-account diagrams, the term "contra account" refers to the other part of the entry. For example, if a Cash Control, GAPS account is debited, the contra account (the account to be credited) might be Accounts Receivable, GAPS. If Cash Control, GAPS is credited, the contra account to be debited might be Expended Funds, GAPS. See *T-Account*.
control account	A ledger account in which posting occurs simultaneously to a number of identical, similar, or related accounts, usually called subsidiary ledger accounts. When these subsidiary ledger account balances are added together, that total should agree with the balance in the control account. A familiar example is accounts receivable. When several students have receivable balances in subsidiary accounts (an account receivable system), the sum of the balances for all the students agrees with the total in the general ledger, control account.
corrected	A category of Federal Pell Grant processed payment data returned to a school by RFMS that the school must keep on file. A school should not resubmit these corrected data records to RFMS unless the award-year data changes.
corrective action	As part of any fine, any limitation, suspension, or termination proceeding, or any adverse finding in a report or review, ED may require a postsecondary institution to take corrective action. This action may include making payments to eligible students or repaying any illegally used funds to ED. ED may offset any funds to be repaid against any benefits or claims due to the institution from ED.
corrective action plan (CAP)	A written plan an institution submits to ED, as required by an ED official, a hearing official, or the U.S. Secretary of Education. In this plan, the institution explains what reasonable and appropriate steps it will take to remedy any ED-determined violation(s) of applicable laws, regulations, special arrangements, agreements, or limitations based on present or prior financial aid audit or program review findings.

cost of attendance (COA)	Section 472 of the Higher Education Act, as amended (HEA) gives specific statutory parameters for determining a student's cost of attendance (COA) for Title IV aid programs. A student's cost of attendance includes tuition and fees, room and board expenses while attending school, allowances for books and supplies (which can include the cost of buying or renting a computer), transportation, loan fees (if it applies), dependent-care costs (if it applies), costs related to a disability (if it applies), and other miscellaneous expenses. In addition, reasonable costs for a study-abroad program and costs associated with a student's employment as part of a cooperative education program may be included. There are also special rules for less-than-half-time students and correspondence-study students. The cost of attendance is determined by the school. The cost of attendance is compared to a student's expected family contribution (EFC) to determine the student's need for aid (COA-EFA-EFC = student's need).
credit balance (Title IV)	Refers to those Title IV funds that exceed the student's allowable charges. A school must pay this balance directly to the student (or parent, if PLUS Loan funds create the credit balance) as soon as possible, but no later than 14 days after the credit balance occurs (or no later than 14 days after the first day of classes of the payment period if the credit balance occurs on or before the first day of class). For a school to hold a credit balance, the school must receive signed authorization from the student (or parent borrower). The school must, at all times, maintain cash in its bank account at least equal to the amount of the funds for that student (or parent).
current charges	Charges assessed the student by the school for the current award year or the loan period for which the school certified or originated a FFEL or Direct Loan. See *Allowable charges.*
current value of funds rate	An annual percentage rate published in a Treasury Financial Manual (TFM) bulletin that reflects the current value of funds to the U.S. Department of Treasury (Treasury) on the basis of certain investment rates. The rate may be found at the following Internet Web site: http/www.fms.treas.gov/prompt/cvfr-history.html
default	For Perkins Loans: Failure of a borrower to make a loan-installment payment when due or to meet other terms of a signed promissory note or written repayment agreement. For FFEL Program Loans and Federal Direct Program Loans: Failure of a borrower or endorser to make a loan-installment payment or to meet other terms of the promissory note, if the Secretary finds it reasonable to conclude that the borrower or endorser no longer intends to honor the obligation to repay. For loans repayable in the monthly installments, the failure must persist for 270 days. For loans payable in less frequent installments (FFEL only), the failure must persist for 330 days.

deferment (of a loan)	A period during which repayment of loan principal is suspended as a result of the borrower meeting one or more of a number of situations or categories established by law. The borrower does not pay interest on *subsidized* loans during deferment; interest continues to accumulate during deferment of an *unsubsidized* loan. Compare *Forbearance (on a loan).*
delayed disbursement	A school may not disburse or deliver the first installment of a loan until 30 days after the student's first day of class. A delayed disbursement applies to a student in the first year of an undergraduate program who is a first-time borrower under the FFEL or Direct Loan Programs. Some schools with low cohort-default rates may be excused from this requirement.
delivery	In the Federal Family Education Loan (FFEL) Program, the process of a school transmitting loan proceeds to a borrower. For cash management purposes, the process of transmitting FFEL loan proceeds to a borrower is referred to as a "disbursement." See *Disbursement.*
delivery system	The process by which students apply for federal financial aid, are awarded federal funds, and use those funds to pay the cost of attendance they incur when they are enrolled in an eligible program of study at an eligible school.
Department of Education Central Automated Processing System (EDCAPS)	A centralized financial management system designed to integrate ED's separate financial processes.
Direct Consolidation Loan	Loans originated by ED's Consolidation Department that combine some or all of a borrower's Title IV loans (including non-Direct loans) into a single loan with one monthly payment. Borrowers may also consolidate certain types of loans made under the authority of the U.S. Department of Health and Human Services. In some cases, borrowers may consolidate defaulted loans, but they must agree to repay the consolidation loan under the Direct Loan Program's income contingent repayment plan or meet other eligibility criteria. Compare *Federal Consolidation Loan.*
Direct Loan	See *Direct Loan Program.*
Direct Loan Program (William D. Ford Federal Direct Loan Program)	A federal program where the U.S. government (not a commercial lender) makes four types of education loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. They were named in honor of Congressman William D. Ford. ♦ Direct Subsidized Loan ♦ Direct Unsubsidized Loan ♦ Direct PLUS Loan (for parents) ♦ Direct Consolidation Loan

	These are also referred to collectively as Direct Loans. See individual loan names.
Direct PLUS Loan	A type of Direct Loan that a parent may receive for an undergraduate dependent student who is attending a school participating in the Direct Loan Program. The parent borrower is responsible for the interest that accrues on the loan during any period. The Direct PLUS Loan is made directly by the federal government through the student's school. Compare *Federal PLUS Loan.*
Direct Subsidized Loan	A type of federally financed, low-interest loan that an undergraduate, graduate, or professional student may receive to attend a school that participates in the Direct Loan Program. During in-school, grace, and deferment periods, the federal government does not charge interest on the loan. The student's financial need is considered in determining the amount of the loan. See *Direct Unsubsidized Loan.* Compare *Federal Stafford Loan (Subsidized).*
Direct Unsubsidized Loan	A type of federally financed, low-interest loan that an undergraduate, graduate, or professional student may receive to attend a school that participates in the Direct Loan Program. The loans are not based on financial need, and the borrower is responsible for the interest that accrues during any period. The borrower may pay the interest charges on the loan on a quarterly basis during in-school, grace, or deferment periods, or may allow the interest to accumulate and be capitalized when repayment begins. See *Capitalizing interest* and *Direct Subsidized Loan.* Compare *Federal Stafford Loan (Unsubsidized).*
disbursement	The process by which Title IV program funds are paid to a student (or parent borrower for PLUS Loan funds). A school may: ◆ pay a student or parent directly: ◆ by issuing a check or other means payable to the student and requiring the student's endorsement or certification (or, in the case of a parent borrowing from the Direct Loan Program or FFEL Program, requiring the endorsement of certification of the student's parent); ◆ by releasing a check provided to the school by a FFEL lender to the student (or parent for a PLUS Loan); ◆ by initiating an electronic funds transfer (EFT) to a bank account designated by the student (or, in the case of a parent borrower, an account designated by the parent); or ◆ by dispensing cash to the student for which the school obtains a signed receipt from the student; *or* ◆ credit a student's school account. See *Delivery.*

disbursement record (Direct Loan)	An electronic record sent from a school to the Direct Loan Origination Center (LOC) notifying ED when a loan disbursement has been made to a student (the day the funds are available for the student to use).
disbursement record (RFMS)	A record that reports to the Recipient Financial Management System (RFMS) the actual amount and date of each Federal Pell Grant disbursement.
discharge	In the FFEL and Direct Loan programs, a loan can be discharged due to death, permanent and total disability, bankruptcy (some cases), closed schools, false certification, and unpaid refunds. Any student who has their loan discharged is relieved of any past or present obligation to repay the loan and any accrued interest or collection cost with respect to the loan. See *Cancellation (of a loan)*.
double-entry bookkeeping	The method of accounting in which each posted transaction involves a two-way, self-balancing journal entry with equal debit and credit amounts. This entry is then posted from the journal to the corresponding ledger accounts involved. See *Bookkeeping*.
earned aid	The amount of financial aid a student is eligible for and entitled to based on the student's period of enrollment. Compare *Unearned aid*.
EDCAPS	See *Department of Education Central Automated Processing System (EDCAPS)*.
Electronic Data Exchange (EDE)	ED's process for postsecondary institutions (and other participating destination points) to electronically transmit, receive, and correct application data, package student awards, and transmit Federal Pell Grant and Direct Loan payment information using the Student Aid Internet Gateway (SAIG).
electronic data processing (EDP) controls	Controls that ensure the integrity and reliability of data. They encompass operating procedures, software security, data access, program modification, segregating computer security duties and responsibilities, backup and recovery plans, and physical computer security.
electronic funds transfer (EFT)	See *Automated clearinghouse (ACH)*.
Electronic Statement of Account (ESOA)	An official statement from ED that sets a school's authorization level for the upcoming award year and projects adjustments to the school's Title IV program funding needs. ESOAs are produced for the Federal Pell Grant Program and the campus-based programs. An ESOA also details the amount expended to date. ED produces an ESOA whenever there is an adjustment to a school's current Federal Pell Grant Program or campus-based programs authorization. See *Federal Pell Grant Program*.

eligible institution

An institution of higher education, a postsecondary vocational school, or a proprietary institution of higher education that meets all the requirements to make it eligible to participate in Title IV student financial aid programs. These requirements include state authorization accreditation and specific program and admission requirements. These requirements are found primarily in 34 CFR Part 600 and are discussed in Volume 2: Institutional Eligibility of the *Student Financial Aid Handbook.*

eligible student

The definition of a student eligible to receive federal financial aid from ED is discussed in detail in the *Student Financial Aid Handbook, Volume 1: Student Eligibility* and 34 CFR 668.7 and individual program regulations.

emergency action

An action for cause taken by ED against an eligible postsecondary institution. This action includes withholding funds from the institution or its students and withdrawing the authority of the institution to obligate federal funds under any or all of the Title IV student aid programs. Emergency action is taken when ED:

- receives and confirms information that the institution is violating applicable laws, regulations, special arrangements, agreements, or limitations;
- determines that the likelihood of loss to the federal government outweighs putting in place limitation, suspension, or termination procedures; *and*
- determines that the immediate action is necessary to prevent misuse of federal funds.

See *Limitation, suspension, or termination (LS&T)* and *Program Participation Agreement (PPA).*

enrolled

Any student who has completed the registration requirements (except for the payment of tuition and fees) at the institution that he or she is attending or has been admitted into an educational program offered predominately by correspondence and has submitted one lesson, completed by him or her and without the help of an institutional representative.

enrollment status

At those institutions using semesters, trimesters, quarters, or other academic terms and measuring progress in credit hours, enrollment status equals a student's credit-hour course load.

At those institutions measuring progress in clock hours, enrollment status equals a student's clock-hour course load.

At any type of school, student enrollment may be categorized as full time, three-quarter time, half time, or less than half time. See *Full-time enrollment.*

entrance counseling (for a student borrower)	Each institution participating in the Federal Perkins Loan, FFEL, and Federal Direct Loan Programs (excluding FFEL PLUS Loans and Direct PLUS Loans) must offer loan counseling to first-time loan borrowers called "entrance counseling." The institution must offer this counseling before disbursing the first disbursement of any of these loans to a borrower at the institution. Entrance counseling covers the borrower's rights and responsibilities, the terms and conditions of the loan, the use of a Master Promissory Note, and the consequences of default. It is also called initial counseling. Compare *Exit counseling (for a student borrower).* Direct Loan schools have the option of using an alternative approach. (See 34 CFR 685.304(a)(5).)
entrance interview (for a compliance audit)	A meeting, before the beginning of a financial aid audit, between an auditor and school administrative officials involved in the audit. Operating rules, an agenda, and a schedule for the on-site work are established. A similar interview is conducted by a federal official before conducting a program review. This meeting is also called initial counseling. See *Audit.* Compare *Exit interview (for a compliance audit).*
equity ratio	Under the financial responsibility regulations, the equity ratio is: ◆ *For proprietary schools:* $\frac{\text{Modified Equity}}{\text{Modified Assets}}$ ◆ *For private, nonprofit schools:* $\frac{\text{Modified Net Assets}}{\text{Modified Assets}}$ For further definitions and other details, refer to 34 CFR 668– Subpart K, Appendix F (proprietary) and Appendix G (private, nonprofit).
ESOA	See *Electronic Statement of Account (ESOA).*
estimated financial assistance (EFA)	The school's estimate of the amount of financial assistance from federal, state, institutional, or other sources that a student (or parent on behalf of a student) will receive for a period of enrollment. This may include veterans' and national service awards and benefits (except when determining eligibility for a subsidized Stafford Loan), scholarships, grants, financial need-based employment, or Perkins Loans or Federal Work-Study funds that the student has declined or certain loans used to replace the Expected Family Contribution.
excess cash	Any amount of Title IV program funds (other than FFEL Program or Federal Perkins Loan Program funds) that a school has not disbursed to students or parents by the end of the third business day following the date the school received the funds. There are penalties for holding excess cash.
excess funds	See *Excess cash.*

excess liquid capital	A school has excess liquid capital in its Federal Perkins Loan Fund if funds available (cash on hand, plus Federal Capital Contribution [FCC] and Institutional Capital Contribution [ICC], plus interest income and cancellation repayments) for the current award year significantly exceed the award year's total expenditures from the Fund.
exit counseling (for a student borrower)	Each institution participating in the Federal Perkins Loan, FFEL, and Direct Loan Programs (excluding FFEL PLUS Loans and Direct PLUS Loans) must offer loan counseling called "exit counseling" to loan borrowers. For Federal Perkins Loan borrowers, the interview must take place before the borrower leaves school. In the case of FFEL and Direct Loan student borrowers, the interview must take place shortly before the borrower ceases to be enrolled at least half time. During the interview, the borrower's rights and responsibilities are reviewed; details about handling loan repayment are discussed; the consequences of default are explained; the availability of ED's Student Loan Ombudsman's Office is discussed; and the average anticipated monthly repayment amount must be disclosed. Borrowers are also required to provide updated personal information, such as address, telephone number, employer (if known), and driver's license and the state where it was issued (if the student has a license). See the *Student Financial Aid Handbook, Volume 5: Perkins Loan* and *Volume 8: Direct Loan and FFEL Programs* for complete information on loan counseling requirements. Compare *Entrance counseling (for a student borrower)*.
exit interview (for a compliance audit)	A closing meeting, following completion of a financial aid audit, between an auditor and administrative officials of the school involved in the audit. General audit findings and conclusions that will be included in the audit report are discussed. A similar interview is conducted by a federal official after conducting a program review. See *Audit*. Compare *Entrance interview (for a compliance audit)*.
Expected Family Contribution (EFC)	The amount a student and his or her spouse and family are expected to pay toward the student's cost of attendance. This figure, determined according to a statutorily defined method known as need analysis, is used for all students in determining eligibility for most federal Title IV student financial aid.
FAFSA (Free Application for Federal Student Aid)	A student financial aid application form completed by a student and his or her family. It is the ED input document that serves as the foundation for all need analysis computations. The FAFSA gathers all the data to calculate the Expected Family Contribution (EFC). See *Expected Family Contribution (EFC), Need analysis,* and *Renewal FAFSA*.
federal audit	A financial and/or compliance audit conducted by an office or officer of a federal agency, such as a representative from ED's Office of Inspector General.
Federal Capital Contribution (FCC)	The portion of a school's Federal Perkins Loan fund allocated to an institution by the federal government for a specific award year. Compare *Institutional Capital Contribution (ICC)*.

Federal Consolidation Loan

Loans originated by eligible FFEL Program lenders combined. Multiple Title IV student loans, the Health Professions Student Loan (HPSL) Program, the Health Education Assistance Loan (HEAL) Program, and the Nursing Student Loan Program (NSLP) are combined into a single loan with one monthly payment. Delinquent or defaulted borrowers may be allowed to establish a repayment schedule through a consolidation loan. Compare *Direct Consolidation Loan.*

Federal Family Education Loan (FFEL) Program

The Federal Family Education Loan (FFEL) Program is made up of:

- Federal Stafford Loans (subsidized)
- Federal Stafford Loans (unsubsidized)
- Federal PLUS Loans (for parents)
- Federal Consolidation Loans

All of these are long-term loans insured by state or private nonprofit guaranty agencies that are reimbursed by the federal government for all or part of the insurance claims paid to lenders. This guarantee replaces the collateral or security usually required with long-term consumer loans. See individual loan names.

Federal Pell Grant payment and disbursement schedules

Charts published annually by the U.S. Secretary of Education that determine the dollar value of student Federal Pell Grant awards on the basis of schools' costs of attendance (COA) and students' Expected Family Contribution (EFC).

Federal Pell Grant Program

A grant program for undergraduate students who have not completed a first baccalaureate degree. It is designed to financially assist students with demonstrated financial need who are the least able to contribute toward their basic education expenses.

If students apply, meet all the eligibility criteria, and are enrolled in an eligible program at an eligible institution, they will receive Federal Pell Grants. Formerly, this grant was called the Basic Educational Opportunity Grant (BEOG). In 1982, it was renamed to honor Senator Claiborne Pell; later the word "Federal" was added to its name.

Students with bachelor's degrees who are enrolled in a teacher-certification program are also eligible if they are enrolled:

- at least half time,
- at a school that does not offer a baccalaureate degree in education,
- in a post-baccalaureate program not leading to a graduate degree,
- in teacher certificate or licensing courses required by a state to teach in that state, *and*

	◆ the student is pursuing an initial teacher certification or licensing credential within a state.
Federal Perkins Loan Program	This campus-based loan program provides low-interest student loans to undergraduate and graduate students with financial need. Formerly, it was called the National Direct Student Loan Program (now referred to as the NDSL Program) and, originally, the National Defense Student Loan Program. In 1987, it was renamed to honor Congressman Carl D. Perkins; later the word "Federal" was added to its name.. See *Campus-based programs.*
Federal PLUS Loan	Parents may borrow from this FFEL loan program on behalf of their undergraduate dependent children. Loans are made by lenders such as banks, credit unions, or savings and loan associations. Compare *Direct PLUS Loan.*
Federal Register	The government publication, published each weekday (except federal holidays), that prints regulations, regulatory amendments, notices, and proposed regulatory changes for all federal executive agencies. ED makes them available on ED's Information for Financial Aid Professionals (IFAP) Web site.
Federal Reserve Bank	One of 12 reserve banks set up under the Federal Reserve Act to hold government reserves. ED uses this system to deliver campus-based, Federal Pell Grant, and Direct Loan funds to schools.
Federal Stafford Loan (subsidized)	An FFEL Program loan providing federally subsidized, low-interest loans to students in undergraduate, graduate, or professional programs. Subsidized loans are awarded on the basis of student financial need. The loan formerly was part of the Guaranteed Student Loan (GSL) Program. In 1987, it was renamed to honor Senator Robert T. Stafford; later, the word "Federal" was added to its name. See *Unsubsidized Federal Stafford Loan.* Compare *Subsidized Direct Loan.*
Federal Supplemental Educational Opportunity Grant (FSEOG) Program	A campus-based aid program that provides grant assistance to students with financial need who are in undergraduate programs and have not earned a bachelor's degree or first professional degree. Priority in awarding Federal Supplemental Educational Opportunity Grant (FSEOG) funds is given to students who have exceptional financial need and are Federal Pell Grant recipients. See *Campus-based programs.*
Federal Work-Study (FWS) Program	A federally funded employment program that provides paid jobs, on campus or off campus, for undergraduate or graduate students who need such earnings to meet a portion of their education expenses. See *Campus-based programs.*

FEDWIRE	This system provides for electronic funds transfer (EFT) through the Federal Reserve Communications System (FRCS). The system differs from the automated clearinghouse (ACH) in that funds are deposited directly into a school's deposit account the day the payment is sent through the FRCS. Financial institutions charge for this type of funds transfer. (There is no charge to a school for ACH transfer.) The U.S. Treasury Department's Financial Communications System (TFCS) Deposit Message Retrieval System (DMRS) uses FEDWIRE for returning funds to ED, including: ◆ a liability or combination of liabilities totaling $100,000 or more for a prior award year (except for some Federal Perkins Loan liabilities); ◆ excess cash in, or liquidation of, a Federal Perkins Loan fund; *and* ◆ ED-proposed or assessed fines of $100,000 or more. See *Automated FEDWIRE system*. Compare *Automated clearinghouse (ACH)*.
Final Audit Determination (FAD)	ED's evaluation of findings and recommendations included in an audit report and the issuance of a final decision by ED management including actions determined to be necessary. See *Final Audit Determination Letter (FADL)*.
Final Audit Determination Letter (FADL)	An official written notice responding to a school and detailing ED's evaluation of findings and recommendations included in the school's audit report. It includes ED's response to findings, including all necessary actions and financial adjustments necessary to resolve the findings in an external audit report.
Final Funding Authorization	An electronic notification that tells a school the final allocations for each campus-based program in which it participates.
Final Funding Worksheet	The final funding worksheet is sent in conjunction with a school's Final Funding Authorization. The worksheet explains in detail a school's allocation for each campus-based program and shows the figures used to make this determination.
Final Program Review Determination (FPRD)	The letter ED sends to school officials to close out the program review process. The FPRD finalizes the status of findings that were outlined in the original Program Review Report, indicating issues that are considered "resolved" and those the school failed to resolve. This may include assessment of liabilities the school must pay to ED. The school has the right to appeal the FPRD.
final regulations	Federal government operating rules published in the *Federal Register*. When published, final regulations have the force of law and identify when the regulations will take effect. See *Federal Register* and *Notice of proposed rulemaking (NPRM)*.

financial aid history	A document used by institutions to collect data about Title IV aid and other financial aid received by a student or his/her current school. The financial aid history allows the current institution the information needed to prevent the student from receiving an overaward or exceeding loan limits. It also tells the institution if the student already owes an overpayment or is in default on Title IV funds, and is therefore ineligible for further Title IV aid. Institutions must obtain financial aid history at no charge to students and former students. Schools are allowed to retrieve a student's prior award-year data from the National Student Loan Data System (NSLDS). See 34 CFR 668.19. See *National Student Loan Data System.*
financial need	The difference between the student's cost of attendance (COA) at a specific institution and the student's Expected Family Contribution (EFC) and the student's estimated financial assistance: COA-EFA-EFC = student's financial need. See *Cost of attendance (COA), Estimated financial assistance (EFA),*and *Expected Family Contribution (EFC).*
financial responsibility	One set of major requirements an institution must meet to participate in the Title IV student aid programs (the other is administrative capability). An institution must show that it has the financial responsibility and the administrative capability to participate in federal Title IV student aid programs. The financial responsibility standards include those that measure an institution's financial health for proprietary, private nonprofit, and public institutions and cover the past performance of an institution or persons affiliated with an institution. For further information, refer to 34 CFR 668, Subpart K; *Federal Register,* November 25, 1997; or Chapter 2 of *The Blue Book.* See also *Administrative capability.*
financial statement	A report prepared at the end of a school's fiscal year that provides an overview of the institution's financial activities for that fiscal year. Financial statements are audited by an independent public accountant (IPA) and submitted to ED according to applicable regulations.
findings	See *Program review exceptions.*
FISAP (Fiscal Operations Report and Application to Participate)	A computer-based, campus-based program report on prior-year fiscal operations and an application to participate in the upcoming award year. It must be submitted to ED by schools that participate in any or all campus-based programs. A school may submit the data using either a personal computer or a mainframe computer. See *Campus-based programs.*
fiscal operations	Activities related to managing and completing financial transactions. Funds management, including student accounts, is the primary responsibility of an institution's business office.

forbearance (on a loan)	When a Federal Family Education Loan (FFEL) Program lender (or the U.S. Department of Education for Direct Loans) allows a *temporary* cessation of payments or reduction of payment amounts for subsidized or unsubsidized Federal Stafford, Federal PLUS, Federal Perkins, or any of the Direct Loans. In doing so, it allows an extended period for making payments or accepts smaller payments than were previously scheduled. Forbearance may be given for circumstances that are not covered by deferment. Interest continues to accrue on the loans during forbearance. Forbearance is an option of the FFEL Program lender or ED. However, there are a few circumstances where granting forbearance to FFEL borrowers is mandatory. See 34 CFR 682.211 (h) and (i). Compare *Deferment (of a loan).*
William D. Ford Federal Direct Loan Program	See *Direct Loan Program.*
Form PMS 270	See *Reimbursement payment method.*
FRB	See *Federal Reserve Bank.*
Free Application for Federal Student Aid (FAFSA)	See *FAFSA.*
full-time enrollment	At schools using semesters, trimesters, quarters, or other academic terms and measuring progress in credit hours, a full-time undergraduate student enrolls in at least 12 semester hours, 12 trimester hours, or 12 quarter hours each term. At nonterm institutions, enrollment status for a full-time student is 24 semester hours or 36 quarter hours per academic year or the prorated equivalent for a program of less than one academic year. At schools measuring progress in clock hours, a full-time student receives 24 hours of instruction in one week. In an educational program using both credit and clock hours, any combination of credit and clock hours where the sum of the following fractions is equal to or greater than one: ♦ For a program using a semester, trimester, or quarter system: $\frac{\text{Number of credit hours per term}}{12}$ plus $\frac{\text{Number of clock hours per week}}{24}$

- For a program not using a semester, trimester, or quarter system:

$$\frac{\textit{Number of semester or trimester hours per academic year}}{24}$$

plus

$$\frac{\textit{Number of quarter hours per academic year}}{36}$$

plus

$$\frac{\textit{Number of clock hours per week}}{24}$$

A series of courses or seminars equaling 12 semester or quarter hours over a maximum of 18 weeks.

The work portion of a cooperative education program in which the amount of work performed is equivalent to the academic workload of a full-time student.

fund	A self-balancing group of accounts that consists of: ◆ assets, ◆ liabilities, ◆ revenues, ◆ expenses, *and* ◆ fund balance. Funds separated in an institution's books are limited to specific uses and are accounted for using a double-entry bookkeeping system.
GAAP	See *Generally accepted accounting principles.*
Gaining Early Awareness and Readiness for Undergraduates Program (GEAR UP)	Enacted in 1998, GEAR UP funds partnerships of high poverty middle schools, colleges and universities, community organizations, and business to work with entire grade levels of students beginning in 7th grade or earlier through high school graduation. The partnership provides tutoring, mentoring, information on college preparation and financial aid, an emphasis on core academic preparation, and in some cases scholarships to help students succeed in high school and go on to college.
GAPS	See *Grant Administration and Payment System (GAPS).*
GEAR UP	See *Gaining Early Awareness and Readiness for Undergraduates Program.*
generally accepted accounting principles (GAAP)	A common set of standards that is generally accepted and universally practiced. These industry standards indicate how to report economic events.

gift aid	Financial aid that a student is not required to repay or earn through employment. Generally, gift aid is in the form of a grant or scholarship. Compare *Self-help aid.*
grace period	The time period that begins the day after a loan recipient ceases to be enrolled at least half time and ends the day before the loan repayment period starts.
Grant Administration and Payment System (GAPS)	The ED payment system that provides financial management support services for the Title IV funds delivery system. Functions supported by GAPS include planning grant awards, obligation of award authorizations, disbursing funds, and final grant closeout for Title IV programs.
grant programs	Gift-aid programs that require neither repayment nor a work obligation from students. Federal Title IV grant programs are the Federal Pell Grant Program, the Federal Supplemental Educational Opportunity Grant (FSEOG) Program, and the Leveraging Educational Assistance Partnership (LEAP) Program. See individual grant program names.
guaranty agency	A state agency or private, nonprofit institution or organization that administers financial aid programs within the Federal Family Education Loan (FFEL) Program. A major function is to insure FFEL Program loans. The federal government reimburses guaranty agencies for all or part of insurance claims they pay to lenders.
Higher Education Act of 1965, as amended (HEA)	Landmark national higher education act passed by Congress and signed by President Lyndon B. Johnson in 1965, as well as subsequent amendments and reauthorizing (extending) legislation of the statute. Title IV of the HEA authorizes the majority of the nation's federal postsecondary student financial aid programs and mandates that they be regulated and administered by the U.S. Secretary of Education. The HEA is effective for approximately five years, requiring Congress to reauthorize it every five years or to extend the legislation for up to one additional year. The most recent reauthorization was in 1998. The statute's most current version, as amended, always stands as the official version of the law. See *Reauthorization* and *Title IV student financial aid.*
Higher Education Amendments of 1992	Congressional amendments and technical changes to the Higher Education Act of 1965, as amended (HEA), put in place during the 1992 reauthorization of the HEA. They became federal law on July 23, 1992 when President George Bush signed the bill. Sometimes referred to as "the 1992 Amendments."
Higher Education Amendments of 1998	Technical changes and additions to the 1992 reauthorization of the Higher Education Act (HEA) made in 1998 in Public Law 105-244. Although President Bill Clinton signed the bill on October 7, 1998, most of the amendments became effective on October 1, 1998. These amendments are sometimes referred to as the "1998 Amendments."

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Idle cash	All or part of disbursed funds if and when they are returned to the school's Title IV account(s). The return may be due to a refund or the student returning a disbursement.
Immediate need	A school requests funds to meet its "immediate need" for disbursing Federal Pell Grant Program, Direct Loan Program, and campus-based program awards. Immediate need is defined as the amount of funds a school needs to make disbursements to students within the required three business days. Schools request funds as needed, for example, every three days, once a week, or whenever is appropriate. (Note: Immediate need does not authorize an institution to maintain a federally funded cash-on-hand balance.) See *Automated clearinghouse (ACH)* and *Automated FEDWIRE system.*
Incarcerated student	A student who is serving a criminal sentence in a federal, state, or local correctional facility. A student in a less formal arrangement, such as a halfway house, home detention, or sentenced to serve only weekends, is not considered to be incarcerated. Students incarcerated in federal or state correctional facilities are not eligible to receive Title IV aid; however, students incarcerated in local correctional facilities might be eligible for Federal Pell Grant, FSEOG, and LEAP funds.
Independent audit	See *Audit* and *Nonfederal audit.*
Independent auditor	An accountant who is a certified public accountant or government auditor, who must be qualified under both generally accepted auditing standards and government auditing standards, and who: ◆ is free from personal and external impairments to independence, ◆ is organizationally independent, *and* ◆ maintains an independent attitude and appearance. See *Audit* and *Nonfederal audit.*
In-house control documents	Documents a school uses to meet federal record-keeping requirements for federal student financial aid programs, provide data needed for aid-related reports, and maintain a clear audit trail.
Institutional Capital Contribution (ICC)	The portion of a school's Federal Perkins Loan fund contributed by an institution. Institutional Capital Contributions (ICCs) must be equal to at least one-third (33 and 1/3 percent) of the new Federal Capital Contribution (FCC) amount *or* one-quarter (25 percent) of the combined FCC *plus* ICC. Compare *Federal Capital Contribution (FCC)* and *Program Participation Agreement (PPA).*
Institutional liability	Financial penalties or repayments that an institution must pay to ED as a result of incorrect institutional action or actions. A liability is the difference between the actual expenditures reported by the institution in GAPS for an Obligation Document Number for the award year and the final allowable expenditures as determined by the auditor, program reviewer, or hearing official.

Institutional Student Information Record (ISIR)	An electronic output document generated by ED's Central Processing System (CPS) that summarizes information submitted on a student's Free Application for Federal Student Aid (FAFSA) and provides financial-need calculations (including the student's Expected Family Contribution [EFC]) based on the submitted data. It is available to schools through the Electronic Data Exchange (EDE). The ISIR includes full applicant data and information on reject reasons, comments, and assumptions. See *Student Aid Report (SAR).*
Interest benefits	The interest payments (benefits) made by ED to an FFEL Program lender on behalf of a student. These payments are based on the student's subsidized Federal Stafford Loan interest rate, but only during certain periods: the student's enrollment (at least half time), the grace period, or any authorized deferment period. Interest benefits are not paid on unsubsidized Federal Stafford Loans. See *Special allowance.*
Issuing checks	Schools can issue checks to disburse funds directly to students and parents. A check is issued if a student (or parent for PLUS Loan funds) is notified that his or her check is available for immediate pickup, or the school can release or mail the checks to the students or parents.
Job Location and Development (JLD) Program	Under the Job Location and Development (JLD) Program, an institution can use up to 10 percent or $50,000 (whichever is less) of its annual Federal Work-Study (FWS) Program total allocation to expand off-campus job opportunities, including community-service jobs for its currently enrolled students. Jobs may be in either profit or nonprofit settings. Students in this program do not have to meet Federal Work-Study (FWS) criteria, show financial need, or meet other Title IV student-aid eligibility criteria. See *Federal Work-Study (FWS) Program.*
Journal	A record of original accounting entries, providing a chronological record of the debit and credit elements of each transaction. As transactions occur, they are entered initially into the journal. At frequent intervals, such as daily, weekly, or at least monthly, the debits and credits recorded in the journal are transferred (posted) to the individual accounts in a ledger. See *Ledger.*
Just-in-time payment method	Under this payment method, a school electronically submits a request for funds up to five days before the actual date of disbursement for the Federal Pell Grant Program. The school's request includes the date and amount of the disbursement it will make or has made to each student. ED places funds in the school's bank account immediately before the funds are needed to make student disbursements. Unlike schools using the advance payment method, these schools do not receive advance authorization of funds. In 2000-01, this method is continuing to be tested under a pilot program by a small group of schools for the Federal Pell Grant Program.

ledger	A book of accounts in which each item of a monetary nature to be included in reports is assigned an account. Posting from a journal to the ledger results in each account having either a debit or credit balance that is shown on a particular report listing. Separate ledgers should be maintained for each program or fund. See *Journal.*
level of expenditure (LOE)	The total amount of Federal Perkins Loan funds a school is allowed to use to make loans to students and to pay administrative and collection costs in a given award year. A school's level of expenditure (LOE) is calculated by ED on the basis of funds available from a school's collection of outstanding Federal Perkins Loans, the amount of Federal Capital Contribution (FCC) the school receives, and the amount of Institutional Capital Contribution (ICC) the school provides.
Leveraging Educational Assistance Partnership (LEAP) Program	A Title IV gift-aid program jointly funded by the federal government and participating states. It provides state scholarship or grant assistance to students who show financial need. Previously it was called the State Student Incentive Grant (SSIG) Program. See *Special Leveraging Educational Assistance Partnership (SLEAP) Program.*
limitation, suspension, or termination (LS&T)	Actions undertaken by ED against a postsecondary institution that has either: ♦ violated the laws or regulations governing Title IV or Title VII student financial aid programs or the Program Participation Agreement (PPA) or any other agreement made under the law or regulations *or* ♦ substantially misrepresented the nature of its educational program, its financial charges, or the employability of its graduates. These ED actions against the institution may include proceedings on limitation, suspension, or termination (LS&T) of the school's participation in federal student financial aid programs; assessing fines up to $25,000 for each statutory or regulatory violation; and/or implementing emergency action. A *limitation* means the postsecondary institution agrees to abide by certain specific restrictions or conditions in its administration of student financial aid programs so that it can continue to participate in any of those programs. A limitation lasts for at least 12 months and, if a postsecondary institution fails to abide by the limitation's conditions, termination proceedings may be initiated. A *suspension* removes an institution from participating in Title IV and Title VII student financial aid programs for a period not to exceed 60 days, unless a limitation proceeding has begun. Suspension actions are used when a postsecondary institution can be expected to correct a program violation in a short time.

	A *termination* ends a postsecondary institution's participation in Title IV and Title VII programs. A *terminated institution* can be reinstated by ED at a later date to participate in Title IV and Title VII programs. However, at least three months must elapse from the school's suspension and at least 18 months must elapse from the school's limitation or termination before an institution can request reinstatement. The request must be in writing. See *Emergency action* and *Program Participation Agreement (PPA).*
liquidation period	This is the second period in an award period. During this period: ◆ no new authorizations may be processed against a grant award, ◆ payees may request payments for expenditures incurred during the performance period, *and* ◆ payees may adjust drawdowns for expenditures incurred during the performance period.
loan	An advance of funds guaranteed by a signed promissory note in which the recipient of the funds promises to repay a specified amount under prescribed conditions.
loan disclosure statement	A statement sent to a loan borrower by the lender before or at the time a loan is disbursed, as well as before the start of the repayment period. The purpose of the disclosure statement is to provide the borrower with thorough and accurate information about the loan terms and the consequences of default. It includes information such as the: ◆ amount of the loan, ◆ interest rate, ◆ fee charges, ◆ length of the grace period (if any), ◆ the maximum length of the repayment, ◆ the minimum annual repayment, ◆ deferment conditions, *and* ◆ the definition of default.
Loan Origination Center (LOC)	Under contract with ED, the Loan Origination Center (LOC) performs many of the operational tasks needed to originate Direct Loans for borrowers and for schools' day-to-day participation in the Direct Loan Program. The LOC is located in Montgomery, Alabama.

master calendar	To assure adequate notification about, and timely delivery of, Title IV financial aid, ED operates using a master calendar defined in the Higher Education Act of 1965, as amended (HEA). This calendar gives specific dates by which federal forms will be developed and distributed, as well as dates campus-based funds will be allocated and Federal Pell Grant funds will be authorized for an award year. The master calendar determines the effective date for federal financial aid regulations, based on the date of their publication. Section 1.10 of *The Blue Book* has further details on the master calendar.
master check	A master check is a single check, written by a lender, that contains all the lender's FFEL Program funds for the school's borrowers for a given disbursement date. A master check must be accompanied by a list of names, Social Security numbers, and loan amounts of borrowers who are to receive a portion of the master check.
Modernization Blueprint	A collaborative effort by financial aid administrators, higher education officials, business leaders, and students to: ◆ reexamine customer needs, ◆ improve and integrate customer access to information and funds, *and* ◆ modernize federal student financial aid programs using up-to-date technology and business processes.
multiple disbursement	A requirement of Title IV programs, except the Federal Work-Study Program, for payments to students based on payment periods.
multiple reporting record (MRR)	A record automatically generated by the Recipient Financial Management System (RFMS) when it receives an origination and/or a disbursement record from more than one school for the same student during the same payment period. It informs a school about the other school(s) that have submitted origination records and disbursement records for the same student during that period.
National Student Loan Data System (NSLDS)	An ED database that collects and maintains data on recipients from: ◆ the Federal Family Education Loan (FFEL) Program, ◆ the William D. Ford Federal Direct Loan Program, ◆ the Federal Perkins Loan Program (including National Defense Student Loans, NDSLs, and Income Contingent Loans), ◆ the Federal Pell Grant Program, *and* ◆ the Federal Supplemental Educational Opportunity Grant (FSEOG) Program.

	This database receives and reports weekly or monthly using information provided by: ◆ ED's Central Processing System (CPS), ◆ ED's Debt Collection Service (DCS), ◆ ED's Recipient Financial Management System (RFMS), ◆ schools, ◆ lenders, *and* ◆ guaranty agencies.
nationally recognized accrediting agency or association	An independent organization that monitors schools' practices and certifies or approves schools to operate and/or offer certain programs of study. Schools participating in Title IV programs must be accredited by an agency that is recognized by U.S. Secretary of Education. See *Site visit.*
need analysis	The method defined in the Higher Education Act of 1965, as amended (HEA) for determining Expected Family Contributions (EFCs) for all students applying for federal student financial aid. See *Cost of attendance (COA)* and *Expected Family Contribution (EFC).*
net income ratio	Under the financial responsibility regulations, the equity ratio is: ◆ *For proprietary schools:* $\frac{\text{Income Before Taxes}}{\text{Total Revenue}}$ ◆ *For private, nonprofit schools:* $\frac{\text{Change in Unrestricted Net Assets}}{\text{Total Unrestricted Revenue}}$ For further definitions and other details, refer to 34 CFR 668–Subpart K, Appendix F (proprietary) and Appendix G (private, nonprofit).
nonfederal audit	An institutional financial statement and/or compliance audit conducted by an independent public accountant (as defined by the audit standards of the U.S. General Accounting Office) who has been hired by the institution. Also called an independent audit or an OMB Circular A-133 audit. See *Audit* and *Independent auditor.*
nonfederal share	The portion of campus-based program funds that a school must contribute from a nonfederal source (usually the portion comes from the school itself). For Title IV campus-based programs, a nonfederal source must contribute amounts equal to at least one-third (33 1/3 percent) of the federal contribution to the school's Federal Perkins Loan fund; one-quarter (25 percent) of Federal Work-Study (FWS) awards; and one-quarter (25 percent) of Federal Supplemental Educational Opportunity Grant (FSEOG) awards. Some students working FWS community-service jobs may be eligible for a

	100 percent federal share of their awards. See Chapter 3 of *The Blue Book* for specific information.
Notice of Proposed Rulemaking (NPRM)	Notice printed in the *Federal Register* of proposed regulations from a government agency, such as ED. Interested parties are invited to submit comments and recommendations about proposed regulations. All proposed regulations are subject to this process, including issues to be negotiated. ◆ The exception is if ED determines that it is impractical, unnecessary, or contrary to the public interest to publish proposed regulations and publishes the basis for its determination. See *Federal Register* and *Final regulations.*
OCFO	See *Office of the Chief Financial Officer.*
Office of the Chief Financial Officer	The Office of the Chief Financial Officer is primarily responsible for serving as the principal adviser to the U.S. Secretary of Education on all matters related to discretionary grant-making, cooperative agreements, and procurements, as well as financial management, financial control, and accounting. It is also responsible for supervising those activities.
OMB Circular A-133	A publication published by the Office of Management and Budget (OMB) that gives specific guidelines under limited circumstances to nonprofit postsecondary schools on procedures for conducting an audit. For A-133 audits, the auditor is required to report only audit findings of noncompliance. See *Nonfederal audit.*
operator-assisted mode	One of the two modes schools and other GAPS recipients use to request funds from GAPS under the automated clearinghouse (ACH). As the name implies, recipients speak directly to an operator to request funds. Compare *Automated voice response (AVR).*
order of return of Title IV funds	A federally prescribed order of returning funds resulting from return of Title IV funds calculation. It requires that funds are credited first to outstanding loan balances for the payment period or enrollment period and that the funds are returned in the following order: 1. Unsubsidized Federal Stafford Loans 2. Subsidized Federal Stafford Loans 3. Unsubsidized Federal Direct Loans 4. Subsidized Federal Direct Loans 5. Federal Perkins 6. Federal PLUS Loans received on behalf of the student

	If funds remain after repaying all loan amounts, the remaining funds must be credited in the following order: 1. Federal Pell Grants 2. Federal Supplement Educational Opportunity Grants (FSEOGs) 3. Other assistance under Title IV
origination record (Direct Loan)	Data collected from the borrower and sent to the Direct Loan Origination Center (LOC) in the form of an electronic record. The record: ♦ is part of the borrower's permanent loan record, ♦ consists of the required demographic, financial, and statistical information, ♦ is the *initial* record required to "book" a loan, *and* ♦ must be created only while the borrower meets all eligibility requirements. These records are created using either software provided by ED or other software that meets ED's specifications.
origination record (RFMS)	A record that reports to the Recipient Financial Management System (RFMS) expected award information about each student who may receive a Federal Pell Grant. It also verifies a student's eligibility for a Pell Grant.
overpayment	Any financial aid amount paid to a student in excess of the amount the student is eligible to receive. This situation may arise due to a student's change in enrollment status, withdrawal, or change in financial situation. Except for Federal Work-Study funds (which are received for work that has been done), the student would be required to repay excess funds received *unless* adjustments could be made to the student's aid during subsequent payment periods within the same award year. See *Repayment.*
packaging	The process of assembling one or more financial aid awards of loans, grants and/or scholarships, as well as employment, for a student. Also referred to as award packaging.
payment period	A school-defined length of time for which financial aid funds are paid to a student. For programs using academic terms (semester, trimester, or quarter), a payment period is equal to a term. For programs not using academic terms, schools must designate at least two payment periods within an academic year

	that meets all applicable regulations. In the Federal Family Education Loan (FFEL) Program and campus-based programs, a payment period is considered to be the time between the beginning and midpoint of the academic year or nontraditional program calendar and between the midpoint and the end of the academic year or nontraditional program calendar. Payment period guidance for the Federal Pell Grant Program is provided in 34 CFR 685.301(b)(2). Compare *Period of enrollment.*
peak enrollment	Peak enrollment occurs when at least 25 percent of a school's students start classes during a given 30-day period.
peer evaluation	An objective review of an institution's policies, procedures, and practices by a financial aid administrator from another school or by a consultant. Peer evaluations also allow first-hand observations and comparisons of how comparable institutions carry out financial aid responsibilities.
Pell Grant	See *Federal Pell Grant Program.*
performance period	The first period in the award period. The performance period is the period between the grant award ***begin date*** and the grant award ***end date.*** During this period: ◆ payees may request payments, ◆ payees may modify payment requests, ◆ payees may adjust drawdowns, ***and*** ◆ the Office of Student Financial Assistance (OSFA) Programs may make changes to the grant award's authorizations.
period of enrollment	The actual period for which an institution charges a student. However, this period is subject to a minimum. For a term-based educational program (whether measured in credit or clock hours), the minimum period is the academic term. For a nonterm educational program that is shorter than an academic year in length, the minimum period is the length of the educational program. For a nonterm educational program that equals or exceeds an academic year in length, the minimum period is the greater of the payment period or one-half of the academic year. Compare with *Payment period.*
Perkins Loan	See *Federal Perkins Loan Program.*
personal identification numbers (PINs)	Personal identification numbers (PINs) are 4-digit numbers assigned to students by ED. PINs are used to electronically identify a student. Students can use their PINs to access their FAFSA data, to make corrections to that data, and to electronically sign an initial FAFSA on the Web or Renewal FAFSA on the Web. They can also access their Direct Loan account information.
PLUS Loan	See *Federal Direct PLUS Loan* and *Federal PLUS Loan..*

policies and procedures manual	An in-house manual that helps an institution effectively and consistently manage financial aid using a compilation of written policies and procedures. Although ED does not require such a manual be used, it recommends that a school compile one, especially as federal financial aid regulations require schools to have, maintain, and disclose certain written policies.
posting	Transferring debits and credits from a journal to the proper control and subsidiary ledger accounts. Each amount recorded in the debit column of a journal is posted by entering it on the debit side of the appropriate ledger account, and each amount recorded in the credit column of the journal is posted by entering it on the credit side of the appropriate ledger account.
primary reserve ratio	Under the financial responsibility regulations, the primary reserve ratio is: ◆ *For proprietary schools:* $\frac{\text{Adjusted Equity}}{\text{Total Expenses}}$ ◆ *For private, nonprofit schools:* $\frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$ For further definitions and other details refer to 34 CFR 668–Subpart K, Appendix F (proprietary) and Appendix G (private, nonprofit).
principal and interest	Principal is the loan amount borrowed. Interest is the amount the FFEL lender *or* ED for Direct Loans *or* the postsecondary institution for Perkins Loans charges a borrower for using the money. Interest rates are usually stated in annual percentages. A loan must be repaid; both principal and interest are included in the repayment made by the borrower to the lender *or* ED *or* the school.
prior-year recoveries	Funds a school recovers in a given award year from money disbursed in prior award years. Institutions must adjust award expenditures and administrative cost allowances (ACAs) in award years in which recoveries are made. See *Administrative cost allowance (ACA).*
Program Participation Agreement (PPA)	A written agreement that must be signed by both a top official at an institution and ED that permits the institution to participate in one or more Title IV student financial aid programs (other than the Leveraging Educational Assistance Partnership [LEAP] Program). The signed agreement makes the institution's initial and continued eligibility to participate in Title IV programs conditional on compliance with all provisions of the applicable laws and program regulations. This agreement may have to be updated periodically due to changes at the institution; schools also have to be recertified at regular intervals. See *Emergency action* and *Limitation, suspension, or termination (LS&T).*

program review	The process in which the management of one or more federal financial aid programs at an institution is reviewed by ED or a guaranty agency. A program review assesses the institution's compliance with federal laws and regulations and its own school policies. The process may also review the institution's overall management and administrative capabilities.
program review exceptions	Institutional policies, procedures, or actions related to federal student financial aid programs cited in a program review report as being contrary to federal laws or regulations that govern the programs. Also referred to as findings.
promissory note	A contract between a lender and a borrower that contains the terms and conditions of the loan, including how the loan must be repaid. It becomes legally binding when signed (executed) by the borrower.
Quality Analysis Tool	A stand-alone software tool that is part of the EDExpress Suite software. The software provides schools with data about their Title IV recipient population by comparing data from initial ISIR transactions and data from a sample selection of chosen recipients. The data provide schools with reports that identify changes in Pell Grant eligibility, problematic application data elements, and areas where school verification procedures can be improved or enhanced.
reauthorization	The process of continuing and changing current legislation because the existing law has expired and has to be reenacted. It is conducted every five to seven years in the case of the Higher Education Act (HEA), during which time Congress reviews and then renews, terminates, or amends existing programs. (The most recent HEA reauthorization was in 1998.) See *Higher Education Act of 1965, as Amended (HEA)* and *Title IV student financial aid.*
Recipient Financial Management System (RFMS)	An ED system that processes Pell Grant payment data, alerts schools to any errors, and makes any needed adjustments to a school's Pell authorization level on the basis of reports of actual disbursements.
reconciliation of cash	A confirmation that the cash amount shown in a school's accounting records agrees with the cash amount reported by the school's bank. Prompt and thorough cash reconciliation helps ensure the ongoing accuracy of a school's internal-control accounting system.
reconciliation of federal funds	Balancing the school's records of federal funds received, expended, and returned against ED's records. Reconciliation should be performed monthly to ensure that reported expenditures, the trial balance, ED's year-to-date summary for the Pell Grant Program, the school's FISAP (Fiscal Operations Report and Application to Participate) for the campus-based programs, and any other allocation (other than Title IV student financial aid) are in agreement. There should also be a yearly reconciliation of the same items that should be included in the school's most recent audit. The Direct Loan Program has a reconciliation process that is different from the process for other Title IV programs (see Chapter 6 of *The Blue Book*). See also *Trial balance.*

refund	The return of interest or excess cash to ED from GAPS drawdowns or the return of audit and program review liabilities and fines. This term used to refer to the required return of funds by a school to the Title IV programs when a student withdrew. This process is now referred to as the "return of Title IV funds."
refund policy	A school policy that determines the conditions under which a student is entitled to a refund of payments made to the school or whether the student owes the school for outstanding charges. The policy also determines the amount of any refund.
regular student	A person who is enrolled or accepted for enrollment at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution.
reimbursement payment method	A method certain schools are required to use to receive federal financial aid funds from ED. Rather than drawing down Title IV funds *before* disbursing them to students, a school submits Form PMS 270, "Request for Advance or Reimbursement," to ED to be reimbursed for the funds it has expended *after* making aid disbursements to students. If the request is approved, the ED regional office processes a payment request in GAPS. Payment is made by ACH/EFT.
rejected (Pell payment data)	A category of Federal Pell Grant processed payment data containing unacceptable or incomplete information that is rejected by RFMS. An institution must correct the records and resubmit them to the RFMS.
releasing campus-based program funds	Action by ED reducing all or part of an institution's allocation for a campus-based program. This reduction usually results from an institution releasing funds back to the federal government that will not be used during the period for which the funds were allocated. See *Allocation* and *Supplemental appropriation*.
Renewal FAFSA	A partially completed application form to be updated by a current federal financial aid applicant to be eligible to receive Title IV financial aid for the next award year. To use the Renewal FAFSA, the student must have submitted a FAFSA applying for (although not necessarily receiving or accepting) federal financial aid for the preceding award year. A student may access his or her Renewal FAFSA on the Web. Alternatively, a paper renewal aid application can be mailed directly to the student by the school or Central Processing System (CPS). Completed Renewal FAFSAs are then returned to the CPS. See *FAFSA (Free Application for Federal Student Aid)*.
repayment schedule	A *specific timetable*, using the borrower's repayment plan as its basis, that details the payment amount that is in each repayment installment and the number of payments that will be required to pay off the loan in full. Additionally, a repayment schedule traditionally lists the loan's interest rate, the due date of the first loan payment, and the frequency of loan payments.

return of Title IV funds	When a recipient of Title IV aid withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must calculate the amount of Title IV aid the recipient did not earn. Unearned Title IV funds must be returned to the appropriate Title IV programs.
RFMS	See *Recipient Financial Management System (RFMS).*
satisfactory academic progress (SAP)	A satisfactory rate of student course completion determined using qualitative and quantitative measures. By law, schools whose students receive Title IV funds must create policies for monitoring satisfactory academic progress (SAP). Schools must check at least once a year and document for each payment period that their students receiving Title IV aid are making satisfactory academic progress.
self-evaluation	A school's regularly scheduled in-house evaluation of the way it administers its student financial aid program. A self-evaluation is undertaken in an effort to detect any problems early on and resolve them.
self-help aid	Student financial aid loan programs where funds must be repaid *or* employment-opportunity programs awarded to students. Compare *Gift aid.*
separation of functions	As a part of administering federal student financial aid programs, a school is required to establish and maintain a checks-and-balances, internal-control system ensuring that no single school office or individual can both authorize payments of Title IV aid and disburse those funds to students. Often this required separation is created by dividing the functions between the school's financial aid office and the school's business office.
single-entry bookkeeping	The system, for example, in a personal checkbook, where generally only records of cash and of personal accounts are maintained. Where transactions are infrequent and receivables, payables, and assets other than cash are few, carefully maintained single-entry records may be adequate. See *Bookkeeping.*
site visit	A visit to a school during which an independent auditor, nationally recognized accrediting agency, and/or ED seeks to understand the school's physical plant, enrollment, student financial aid application process, and methods of monitoring student attendance. See *Independent audit* and *Nationally recognized accrediting agency or association.*
skip tracing	Traditionally, searching for someone with unpaid debts who has left without leaving a forwarding address ("skipped"). In a federal financial aid context, this is when, for whatever reason, a loan borrower no longer lives at the address where the Direct Loan Servicing Center (DLSC) *or* a lender *or* school is sending loan billing notices, and the DLSC *or* lender *or* school must attempt to locate the borrower's correct address. In the search, the law allows the use of any information obtained from the borrower while the borrower was at the school (such as data taken from applications and files), as well as information

	available from any school office (including the registrar's office and the alumni office). If the borrower still cannot be located using information from the school (or otherwise available to the lender), the lender or school can use ED's free skip-tracing service to try to locate the missing loan borrower.
special allowance	A percentage of the average unpaid principal balance paid to the lender of an FFEL Program loan by ED. In effect, ED pays extra interest on the loan to the lender in addition to the base interest charged on subsidized and unsubsidized loans. This amount makes up the difference between the rates charged to FFEL Program borrowers and market interest rates. The amount of the special allowance is set by a statutory formula related to 91-day Treasury bill rates.
special disbursement record	A disbursement record that reports information, such as the cost of attendance and enrollment status, to allow ED's Recipient Financial Management System (RFMS) to recalculate a Federal Pell Grant disbursement for a particular payment period. Institutions on the reimbursement payment method or cash monitoring payment method are required to send special disbursement records. This is optional for all other schools. This record will be deleted from the 2001-02 RFMS process; only the disbursement record will be used from 2001-02 and beyond.
Special Leveraging Educational Assistance Partnership (SLEAP) Program	State grant programs providing aid to students with financial need to assist them in paying for their postsecondary cost or help states fulfill service programs to strengthen opportunities for elementary school and secondary school students with financial need to enter postsecondary education. The SLEAP Program is funded only when the Leveraging Educational Assistance Partnership (LEAP) Program fund is in excess of $30 million. The excess amount must be applied to the SLEAP Program.
SSIG	See *Leveraging Educational Assistance Partnership (LEAP) Program.*
Stafford Loan	See *Direct Stafford/Ford Loan (subsidized), Direct Unsubsidized Stafford/Ford Loan, Subsidized Federal Stafford Loan,* and *Unsubsidized Federal Stafford Loan.*
Student Aid Internet Gateway (SAIG)	ED network that provides an electronic, Web-based link between schools and ED's various databases. Formerly called the Title IV Wide Area Network (TIV WAN).
student aid master record	An institutional record containing information for an in-school student for each award year. The institution records all basic information relating to all student aid programs, including institutional and other aid programs, on the master record.

Student Aid Report (SAR)	The report sent directly to a student from ED's Central Processing System (CPS) that summarizes information submitted on the student's Free Application for Federal Student Aid (FAFSA). It also provides financial-need calculations (including the student's Expected Family Contribution [EFC]) based on the submitted figures. The SAR has two parts: Part 1 is the Student Information Summary. Part 2, the Information Review Form or Information Request Form, is where the student can make any needed corrections or information changes. The student makes the corrections and returns Part 2 of the SAR to the CPS. The CPS will then send the student a copy of the corrected SAR. See *Institutional Student Information Record (ISIR)*.
Student Financial Aid Handbook	An ED publication that explains procedures schools should follow in administering federal student financial aid programs. Some of these procedures are required by law and regulations, while other procedures are necessary for the various Title IV programs reporting systems. The Handbook (as it is usually referred to) consists of nine volumes that are published individually and successively by ED each year.
Student Status Confirmation Report (SSCR)	The SSCR is used as a monitoring device to help determine when student borrowers must begin repaying their student loans. When a student's enrollment status changes in any way that affects his or her enrollment data, schools must notify the Direct Loan servicer or FFEL lender of the change within 30 days through an ad hoc report, unless a school has a regularly scheduled SSCR roster file due within the next 60 days. All schools participating in any of the Title IV programs, as well as nonparticipating schools eligible to process Title IV loan deferments, must submit a Student Status Confirmation Report (SSCR) to the National Student Loan Data System (NSLDS) through the SAIG.
subsidiary accounts	Accounts related to the control account that support in detail the summary transactions posted in the control account. See *Control account.*
subsidiary records	Institutional records that must exist to support the totals in each Title IV financial aid program account. Reconciliation between accounts and subsidiary record detail should be performed at least once a month; this is required by some Title IV programs.
supplemental appropriation	An additional allocation of available funds for one or more campus-based programs that may be given to a school on the basis of the school's need for additional funds. Supplemental allocations are made after schools release unexpended campus-based funds at the end of an award year. See *Allocation, Appropriation,* and *Releasing campus-based program funds.*
suspension period	The third of four periods in the award period. During the suspension period, no payment actions can take place without the approval of the program office. ED program offices use this period to prepare for final closeout.

T-account	A short method accountants use to illustrate ledger accounts, alleviating the tedious reproduction of accounts as they actually appear in an institution's ledger. Accountants use the t-account as a worksheet to check the debit and credit balances of individual ledger accounts and to trace posting of transactions to the various ledger accounts. See *Contra account.*
third-party servicer	An individual, a state, or a private, profit, or nonprofit organization that enters into a contract with Title IV eligible institutions to administer or service any aspect of the institution's participation in any Title IV program.
Title IV student financial aid	Federal financial aid programs for students attending postsecondary educational institutions; they are authorized under Title IV of the Higher Education Act of 1965, as amended (HEA). The programs are administered by the U.S. Department of Education. Title IV programs consist of: ◆ Academic Achievement Incentive Scholarship Program, ◆ Robert C. Byrd Honors Scholarships, ◆ Federal Family Education Loan (FFEL) Program loans, ◆ William D. Ford Federal Direct Loans, ◆ Federal Pell Grant Program, ◆ Federal Perkins Loan Program, ◆ Federal Supplemental Educational Opportunity Grant (FSEOG) Program, ◆ Federal Work-Study (FWS) Program, ◆ Gaining Early Awareness and Readiness for Undergraduates Program (GEAR UP) grants, *and* ◆ Leveraging Educational Assistance Partnership (LEAP) Program grants and Special Leveraging Educational Assistance Partnership (SLEAP) Program grants. See Higher Education Act of 1965, as amended (HEA).
Title IV Wide Area Network (TIV WAN)	See *Student Aid Internet Gateway.*

trial balance	A comparison of debit and credit balances and the addition of account balances. A successful trial balance for Title IV programs is a confirmation that accounts receivable, program expenditures, and cash balances equal the amounts authorized. The purpose of a trial balance is to check that the dollar amounts of debits and credits are equal in the general ledger accounts. This is a useful tool for catching many types of errors, but having a trial balance in balance, in and of itself, is not an assurance that other accounting errors haven't been made. Taking a trial balance should be performed at least monthly. See *Reconciliation of federal funds.*
unearned aid	The difference between Title IV aid that was disbursed or could have been disbursed for the payment period or period of enrollment and the amount of Title IV aid that was earned when a student withdraws. See *Return of Title IV funds.*
Uniform Commercial Code Statement (UCC-1)	A UCC-1 statement discloses to the appropriate state or local government entity that the institution's account contains federal funds. If required, the institution must retain a copy of these notices in its records.
Unsubsidized Federal Stafford Loan	A federal student loan (part of the FFEL Program) that provides low-interest loans to students in undergraduate, graduate, and professional programs. Unsubsidized loans are not awarded on the basis of financial need. Interest on an unsubsidized loan is charged to the borrower throughout the life of the loan. See *Capitalizing interest* and *Federal Stafford Loan (Subsidized).* Compare *Federal Direct Unsubsidized Stafford/Ford Loan.*
User's Guide	A technical reference publication produced by ED and designed to support or assist recipients using electronic systems such as EDE, SAIG, and GAPS.
verification	Technical and administrative procedures for detecting and resolving inaccuracies in data a student (and family) supplied on the Free Application for Federal Student Aid (FAFSA) when applying for Title IV aid.
work college	A public or private, nonprofit school with a commitment to community service.
Work Colleges Program	A program that encourages students to participate in a comprehensive work/learning program. It encourages students to participate in community-service activities and is used to help reduce a student's need to rely on grant aid and loan aid.

Appendix B

Acronyms

AAFS	Access America for Students (pilot program)
ACA	Administrative Cost Allowance
ACH/EFT	Automated Clearinghouse/Electronic Funds Transfer
ACN	Audit Control Number
ADL	Anticipated Disbursement Listing
ADR	Actual Disbursement Roster
AFMS	Account and Financial Management Service (in the U.S. Department of Education)
AICPA	American Institute of Certified Public Accountants
ARMG	Accounts Receivable Management Group (in the U.S. Department of Education)
AVR	Automated Voice Response (touch-tone telephone)
AY	Academic Year
CAM	Client Account Manager (Direct Loans)
CAN	Common Accounting Number
CAP	Corrective Action Plan
CEO	Chief Executive Officer
CFDA	Catalog of Federal Domestic Assistance
CFO	Chief Fiscal/Financial Officer
CFR	*Code of Federal Regulations*
COA	Cost of Attendance
COH	Cash on Hand

COO	Chief Operating Officer
CPA	Certified Public Accountant
CPS	Central Processing System
CR	Credit
CS/JLD	Community Service Job Location and Development [Program]
CSL	Community Service Learning [Program] (self-help employment)
DB	Debit
DCS	Debt Collection Service (in the U.S. Department of Education)
DLSAS	Direct Loan School Account Statement
DLSC	Direct Loan Servicing Center
DMRS	Deposit Message Retrieval System
DRN	Data Release Number
EAC	Electronic Access Code
EADA	Equity in Athletics Disclosure Act
EASI	Easy Access for Students and Institutions
ECAR	Eligibility and Certification Approval Report
ED	U.S. Department of Education
EDCAPS	Education Central Automated Processing System
EDE	Electronic Data Exchange
EDGAR	U.S. Department of Education General Administrative Regulations
EDP	Electronic Data Processing
EFC	Expected Family Contribution
EFT	Electronic Funds Transfer (see also *ACH/EFT*)
EIN	Employer Identification Number
EPI	Electronic Payment Information
ESOA	Electronic Statement of Account

EST	Eastern Standard Time
ET	Eastern Time
FAA	Financial Aid Administrator
FADL	Final Audit Determination Letter
FAFSA	Free Application for Federal Student Aid
FAO	Financial Aid Officer
FARM	*Financial Accounting and Reporting Manual [for Higher Education]*
FASB	Financial Accounting Standards Board
FAT	Financial Aid Transcript
FCC	Federal Capital Contribution
FEDWIRE	U.S. Treasury Financial Communication System/Deposit Message Retrieval System *or* Federal Reserve Communications System (not a U.S. Treasury wire transfer system)
FERPA	Family Education Rights and Privacy Act
FFEL	Federal Family Education Loan [Program]
FFY	Federal Fiscal Year
FISAP	Fiscal Operations Report and Application to Participate
FMT	Fiscal Management Training
FPL	Federal Perkins Loan [Program]
FPRD	Final Program Review Determination (letter)
FRB	Federal Reserve Bank
FRCS	Federal Reserve Communications System
FROE	Final Report of Expenditures
FS	Financial Services (in the U. S. Department of Education)
FSEOG	Federal Supplemental Educational Opportunity Grant [Program]
FWS	Federal Work-Study [Program]
FY	Fiscal Year

GAAP	Generally Accepted Accounting Principles
GAGAS	Generally Accepted Government Auditing Standards
GAO	General Accounting Office
GAPS	Grant Administration and Payment System
GAS	Government Auditing Standards
GASB	Governmental Accounting Standards Board
GEAR UP	Gaining Early Awareness and Readiness for Undergraduates Program
HBCUs	Historically Black Colleges and Universities
HEA	Higher Education Act of 1965, as amended
HHS	U.S. Department of Health and Human Services
HPSL	Health Professions Student Loan [Program]
ICC	Institutional Capital Contribution
IFAP	Information for Student Aid Professionals [Web Site]
IPA	Independent Public Auditor
IPOS	Institutional Participation Oversight Service (in the U.S. Department of Education)
ISIR	Institutional Student Information Record
ISP	Internet Service Provider
JLD	Job Location and Development [Program]
LEAP	Leveraging Educational Assistance Partnership [Program]
LOA	Leave of Absence
LOC	Direct Loan Origination Center *or* Letter of Credit
LOE	Level of Expenditure (in the Federal Perkins Loan Program)
LS&T	Limit, Suspend, or Terminate *or* Limitation, Suspension, or Termination
MPN	Master Promissory Note
MRR	Multiple Reporting Record

NACUBO	National Association of College and University Business Officers
NASEA	National Association of Student Employment Administrators
NASFAA	National Association of Student Financial Aid Administrators
NCES	National Center for Education Statistics (in the U.S. Department of Education)
NDSL	National Direct Student Loan Program *or* National Defense Student Loan Program
NFC	National Finance Center
NPRM	Notice of Proposed Rulemaking
NSF	Non-Sufficient Funds
NSLDS	National Student Loan Data System
OC	Object Classification [Code]
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General (in the U.S. Department of Education)
OMB	Office of Management and Budget
OPE	Office of Postsecondary Education (in the U.S. Department of Education)
OPE-ID	Office of Postsecondary Education Identifier
PAIB	Performance and Accountability Improvement Branch (in the U.S. Department of Education)
PAN	Payee Account Number
PBO	Performance Based Organization
PEPS	Postsecondary Education Participation System
PIN	Personal Identification Number
P.L.	Public Law
POP	Potential Overpayment Project
POS	Payment for Origination Services
PPA	Program Participation Agreement

QA	Quality Assurance *or* Quality Analysis
RCRT	Receivables and Cash Receipts Team (in the U.S. Department of Education)
RFMS	Recipient Financial Management System (in the U.S. Department of Education)
RIGA	Regional Inspector General for Audit
SAIG	Student Aid Internet Gateway (successor to TIV WAN)
SAP	Satisfactory Academic Progress
SAR	Student Aid Report
SAS	Statement on Auditing Standards
SCMC	Student Credit Management Collections (in the U.S. Department of Education)
SCP	Scheduled Cash Payment
SFA	Student Financial Aid
SLEAP	Special Leveraging Educational Assistance Partnership [Program]
SRK	Student Right-to-Know [Act]
SSCR	Student Status Confirmation Report
TFCS	U.S. Treasury Financial Communications System
TFM	Treasury Financial Manual
Title IV WAN or TIV WAN	Title IV Wide Area Network (replaced by the Student Aid Internet Gateway [SAIG])

Appendix C

KEY RESOURCES

U.S. Department of Education Publications

Reference:

- http://ifap.ed.gov
  Click on Current SFA Publications, then on Audit Guides for OIG Nonfederal Audit Team homepage, SFA Audits, and School/Servicer Audit Guide.

Audit Guide of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers, January 2000

Assists independent public auditors (IPAs) to perform audits of federal Title IV student financial aid (SFA) programs. It provides:

- general information about engagement planning and other considerations,
- compliance requirements and management's assertions that must be reported by the IPA, *and*
- reporting requirements.

Compilation of Student Financial Aid Regulations

Provides the regulations for student financial assistance (SFA) programs administered by ED. Published annually through 1998. Beginning in 1999, quarterly compilations are available and posted on the U.S. Department of Education's (ED's) Information for Financial Aid Professionals (IFAP) Web site. Quarterly updates reflect only those parts of the regulations that have been updated by final regulations since the last update.

Reference:

- http://ifap.ed.gov
  Click on Current SFA Publications, then on Student Financial Aid Handbooks.

Student Financial Aid Handbook

Serves as ED's comprehensive source on:

- Institutional Eligibility and Participation
- Student Eligibility
- Federal Pell Grant Program
- Campus-Based Programs (Federal Supplemental Educational Opportunity Grants [FSEOGs], Federal Perkins Loans, and Federal Work-Study [FWS])
- State Grant Programs
- Direct Loan and FFEL Programs

Explains the policies and procedures required to properly administer ED's student financial assistance (SFA) programs. Defined in law, in regulations, or as guidance from ED, these policies and procedures facilitate effective operation of the federal processing and reporting systems for individual Title IV aid programs.

Reference:

- http://e-grants.ed.gov/gapsweb
  Click on Downloads for the *GAPS Payee's Guide – August 2000.*

U.S. Department of Education Payee Guide for Grant Administration and Payment System (GAPS)

Provides information on the operations and procedures for grants and contracts that are paid through GAPS. It helps an institution understand its responsibilities in expending payments and managing federal cash received through GAPS. GAPS is used for Title IV aid programs, as well as non-Title IV aid programs. Included in the Web site is a training module that allows users to become familiar with the various GAPS screens and data contained within those screens.

Information for Financial Aid Professionals Web site.

Provides Dear Colleague/Partner letters, electronic publications, and numerous other references that are excellent resources. The Web address is http://www.ifap.ed.gov.

Other Federal Government Publications

Reference:

- http://www.whitehouse.gov/omb/circulars/index-education.html
  Click on the appropriate OMB document.

Government Printing Office (GPO)

***Audits of States, Local Governments, and Non-Profit Organizations,* OMB Circular A-133,** June 1997

Details standards for obtaining consistency and uniformity among federal agencies for audits of states, local governments, and nonprofit organizations expending federal awards.

Reference:

- http://www.gpo.gov
  Click on U.S. Government Online Bookstore, then search for GPO Stock Number 020-000-00243-3.

Government Auditing Standards, 1994 Revision

Contains standards for audits of government organizations, programs, activities, and functions, and of government assistance received by contractors, nonprofit organizations, and other non-government organizations.

OMB Circular A-133 Compliance Supplement, 1998

Reference:

- http://www.access.gpo.gov
  Click on Access to Government Information Products, then scroll to Quick Links and click on *Federal Register.*

National Archives and Records Administration (NARA)

Federal Register

Published every business day (except federal holidays), the *Federal Register* contains federal agency final regulations (including ED's), notices of proposed rulemaking (NPRMs), executive orders, proclamations, and other presidential documents.

Association Publications

Reference:

- http://www.nacubo.org
  Click on Marketplace.

Reference:

- NACUBO Publications Department 301-362-8198

National Association of College and University Business Officers (NACUBO)

Audits of Federal Student Financial Aid Programs, 1998 edition

Bridges the gap between the OMB Circular A-133 Compliance Supplement and the detailed regulations governing the operating and managing of the federal student financial aid (SFA) programs.

Basic Institutional Accounting Package

Serves as a resource tool for an extensive and thorough introduction to postsecondary institutional accounting.

College and University Business Administration (CUBA)

Serves as the "bible" of theory and policy for higher education business and financial management.

Consolidating Financial Statements

Discusses financial accounting standards affecting consolidation of financial statements. It also helps officials evaluate their institutions' financial relationships with nonprofit and for-profit entities.

Federal Auditing Information Service for Higher Education

Designed as a loose-leaf manual, it provides detailed instructions on protecting an institution's rights and interests under OMB Circular A-133.

Financial Accounting and Reporting Manual (FARM) for Higher Education

Provides the most up-to-date resource available for higher education issues and gives detailed information from the American Institute of Certified Public Accountants (AICPA), Financial Accounting Standards Board (FASB), and Governmental Accounting Standards Board (GASB).

Guidelines for Filing IRS Forms 990 and 990-T

Guides administrators of colleges, universities, and other nonprofit organizations through preparing IRS Form 990, Schedule A (Form 990), and 990-T.

Managerial Financial Reporting

Explains the principles, characteristics, and many alternatives of college and university financial reporting within the context of diverse institutional managerial financial needs.

Managing Federal Grants

Subscription providing quarterly updates and monthly newsletters on new issues in managing federal grant funds. It also tracks the life of a grant from solicitation to audit and audit resolution.

NACUBO Guide to IRS Audits: A Manual for Colleges and Universities

Designed to keep institutions well-informed about tax rules and address their rights as taxpayers.

Nonresident Alien Tax Compliance: A Guide for Institutions Making Payments to Foreign Students, Scholars, Employees, and Other International Visitors

Thoroughly covers withholding and reporting obligations of institutions making payments to nonresident aliens.

Process Guide to Information Reporting for the Hope and Lifetime Learning Tax Credits

Helps colleges and universities comply with reporting requirements for the Hope and Lifetime Learning tax credits under the Taxpayer Relief Act (TRA) of 1997.

Selecting an Auditor

Guides an institution through the process of selecting and evaluating an auditor.

Student Loan Programs: Management and Collection, 2nd Edition

Incorporates regulatory requirements with practical advice on managing student loan programs.

National Association of Student Financial Aid Administrators (NASFAA)

Self-Evaluation Guide

Helps schools develop comprehensive self-evaluation systems. The publication provides a step-by-step outline for reviewing financial aid administration and fiscal office policies, procedures, and practices.

Reference:

- http://www.nasfaa.org
  Click on NASFAA Catalog, then on Self-Evaluation Guide (a user name and password are required).
- NASFAA
  202-785-0453

Other Resources

Reference:
- http://www.aicpa.org

American Institute of Certified Public Accountants (AICPA)
1211 Avenue of the Americas
New York, NY 10036-8775
telephone: 212-596-6200
fax: 212-596-6213

Reference:
- http://www.fasb.org

Financial Accounting Standards Board (FASB)
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116
telephone: 203-847-0700
fax: 203-849-9714

Reference:
- http://www.gasb.org

Governmental Accounting Standards Board (GASB)
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116
telephone: 203-847-0700
fax: 203-849-9714

Appendix D

Technical Assistance Directory

Central Processing System (CPS) /Title IV Wide Area Network (WAN) Technical Support

Schools can contact CPS/WAN technical support at 1-800-330-5947 between 7 a.m. and 7 p.m. Central Time (CT) or by email at CPSWAN@ncs.com. CPS/WAN technical support assists schools with:

- Obtaining software manuals, technical references, and user's guides
- Signing up for EDE enrollment and participation
- Changing and resetting passwords
- Correcting transmission errors
- Billing and invoices
- Obtaining software
- Processing renewal applications
- Dealing with rejected Electronic Data Exchange (EDE) records and batches
- Determining CPS batch status
- Obtaining software:
    - AWARE
    - Pell Payment for Windows
    - SSCR 32-bit
    - EDConnect
    - NET*CONNECT
    - OPEnet
    - EDExpress software, which includes modules to help manage:
        - application processing
        - award packaging
        - Pell Grant data
        - Direct Loan data

Grant Administration and Payment System (GAPS)

Schools can contact the GAPS Payee Hotline at 1-888-336-8930 between 8 a.m. and 8 p.m. Eastern Time (ET), Monday through Friday. Schools can call the GAPS Payee Hotline to get help with drawing down funds or to ask questions.

National Student Loan Data System (NSLDS) Customer Service

Schools can contact NSLDS customer service at 1-800-999-8219 between 7 a.m. and 7 p.m. CT. NSLDS customer service:

- Assists with log on ID and password
- Responds to inquiries about:
  - system availability
  - processing times
  - status of a school's transmission
  - system navigation
- Assists data providers if transmission problems occur when trying to obtain or provide data to NSLDS

Title IV Programs

For general information and assistance, contact the Federal Student Aid Information Center at 1-800-433-3243 (1-800-4-FED-AID) between 8 a.m. and midnight ET, seven days a week (except for federal holidays). The Federal Student Aid Information Center:

- provides information on student financial aid programs,
- assists in completing the Free Application for Federal Student Aid (FAFSA), ***and***
- disseminates many of ED's publications.

Schools can contact the Customer Service Call Center (CSCC) at 1-800-433-7327 between 9 a.m. and 5 p.m. ET for:

- inquiries pertaining to program and application processing issues relative to Title IV Programs ***and***
- inquiries pertaining to the IFAP and SFA4Schools Web sites.

Schools can contact their ED Case Management and Oversight Service (CMOS) case management team for information about:

- Audit resolution:
  - status of ED's final determination letter
  - final determination appeal process
  - a corrective action plan
- Financial statement analysis
- Program review
- Recertification
- Separation of functions issues

A list of ED case-management teams and divisions, their telephone numbers, and the states they serve is on the next page.

Case Management Teams and Divisions

Team	Division	Telephone	States Served
Boston	Northeast	617-223-9338	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont
New York	Northeast	212-264-4022	New Jersey, New York, Puerto Rico, and the Virgin Islands
Philadelphia	Northeast	215-656-6442	Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia
Atlanta	Southeast	404-562-6315	Alabama, Florida, Georgia, Mississippi, North Carolina, and South Carolina
Kansas City	Southeast	816-880-4053	Iowa, Kansas, Kentucky, Missouri, Nebraska, and Tennessee
Dallas	Southwest	214-880-3044	Arkansas, Louisiana, New Mexico, Oklahoma, and Texas
San Francisco	Southwest	415-556-4295	Arizona, California, Hawaii, Nevada, American Samoa, Guam, the Federated states of Micronesia, the Republic of Palau, the Republic of the Marshall Islands, and the Commonwealth of the Northern Marianas
Chicago	Northwest	312-886-8767	Illinois, Minnesota, Ohio, and Wisconsin
Seattle	Northwest	206-287-1770	Alaska, Idaho, Indiana, Oregon, and Washington
Denver	Northwest	303-844-3677	Colorado, Michigan, Montana, North Dakota, South Dakota, Utah, and Wyoming
Foreign Schools	Northeast	202-708-8820	

Federal Pell Grant Support Line

Schools can contact the Recipient Financial Management System (RFMS) at 1-800-4-P-GRANT (1-800-474-7268) between 8 a.m. and 8 p.m. ET or their Federal Pell Grant financial management specialist for questions about:

- Financial information
- Document requests
- Batch processing status
- Messages
- Batch summaries
- Individual record rejects
- Statements of account
- Year-to-date Federal Pell Grant payment data requests

Campus-Based Programs

Schools can contact the campus-based operations team at 202-708-7741 or by fax at 202-205-1919 for information about:

- Preparing the Fiscal Operations Report and Application to Participate (FISAP)
- Correcting or verifying initial data and edits from the FISAP
- Interpreting tentative funding levels for their institution
- Determining final authorization levels for their institution (found in their Final Funding Authorization and Final Funding Worksheet)
- Confirming final adjusted authorization levels for their institution
- Releasing campus-based funds
- Reporting prior year recoveries

For information on the electronic FISAP process, contact an electronic FISAP administrator at 1-877-801-7168 (toll-free) between 8:30 a.m. and 5 p.m. ET.

William D. Ford Direct Loan Program

Schools can contact ED's Direct Loan Operations at 202-708-9951 between 7 a.m. and 5 p.m. ET for information about Direct Loan procedures and operations.

Schools can contact ED's Program Development Division at 202-708-8242 between 7 a.m. and 5 p.m. ET for information about Direct Loan policies and regulations. Schools should ask the operator to transfer them to a Direct Loan policy specialist.

Schools can contact Direct Loan Customer Support at 1-800-848-0978 between 7 a.m. and 7 p.m. CT. Direct Loan Customer Support provides information about:

- Direct Loan Technical Reference
- Direct Loan record layout
- Combo/mainframe support for Direct Loans:
    - provides support to schools creating their own Direct Loan processing system
    - provides support to schools creating their own interface with EDExpress software
    - helps schools develop files to import into EDExpress

Schools should contact the Direct Loan Origination Center at 1-800-848-0978 between 7 a.m. and 7 p.m. CT for information about:

- Monthly reconciliation and program-year close out
- Acknowledgements
- Batch integrity errors
- Promissory notes
- Batch status
- Rejected batches

Federal Family Education Loan (FFEL) Program

Schools can access the SFA Web site at http://www.ed.gov/offices/OSFAP/IGAL to get information about:

- Treasury bill rates (Click on Current Interest/Special Allowance Rates)
- PLUS Loan interest rates (Click on Current Interest/Special Allowance Rates)
- Stafford Loan variable interest rates (Click on Current Interest/Special Allowance Rates)
- "Dear Colleague" or "Dear Partner" letters (Click on IFAP)
- Form 799 with instructions (Click on Lender Reporting)
- Form 1207 (Click on Lender Reporting)
- Form 1207 Instructions (Click on Lender Reporting)

Otherwise, schools can call the Office of Financial Management Lender and Guaranty Reporting at 202-708-9776 between 8:30 a.m. and 4:00 p.m. ET to get the same information.

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